

MEETING OF THE UPPER SANTA ANA RIVER
WATERSHED INFRASTRUCTURE FINANCING AUTHORITY

WEDNESDAY, MAY 17, 2023 – 8:30 am

PUBLIC PARTICIPATION

Public participation is welcome and encouraged. You may participate in the May 17, 2023, meeting of the Upper Santa Ana River Watershed Financing Authority in-person, online and by telephone as follows:

Dial-in Info: (877) 853 5247 US Toll-free

Meeting ID: 818 8828 6875

PASSCODE: 3802020

<https://sbvmwd.zoom.us/j/81888286875>

If you are unable to participate online or by telephone, you may also submit your comments and questions in writing for consideration by sending them to comments@sbvmwd.com with the subject line “Public Comment Item #” (insert the agenda item number relevant to your comment) or “Public Comment Non-Agenda Item”. Submit your written comments by 6:00 p.m. on Tuesday, May 16, 2023. All public comments will be provided to the Executive Director and may be read into the record or compiled as part of the record.

IMPORTANT PRIVACY NOTE: Participation in the meeting via the Zoom app is strongly encouraged. Online participants **MUST** log in with a Zoom account. The Zoom app is a free download.
Please keep in mind: (1) This is a public meeting; as such, the virtual meeting information is published on the World Wide Web and available to everyone. (2) Should you participate remotely via telephone, your telephone number will be your “identifier” during the meeting and available to all meeting participants; there is no way to protect your privacy if you elect to call in to the meeting.



Agenda

**UPPER SANTA ANA RIVER WATERSHED
INFRASTRUCTURE FINANCING AUTHORITY**
380 East Vanderbilt Way, San Bernardino, CA 92408

WEDNESDAY, MAY 17, 2023

CALL TO ORDER/PLEDGE OF ALLEGIANCE

1. PUBLIC COMMENT

Any person may address the Board on matters within its jurisdiction.

2. APPROVAL OF MINUTES

- 2.1 Approve Watershed Connect Minutes 031523(Page 4)
[Watershed Connect Minutes 20230315](#)

3. DISCUSSION AND POSSIBLE ACTION ITEMS

- 3.1 Consider Resolution No. 015 authorizing certain documents and actions related to the issuance of interim obligations on behalf of San Bernardino Valley Municipal Water District (Page 9)
[Staff Memo - Consider Resolution No. 015 authorizing certain documents and actions related to the issuance of interim obligations on behalf of San Bernardino Valley Municipal Water District](#)
[Resolution No. 015 Authorizing WIFIA Interim Obligations](#)
[Exhibit A - Indenture of Trust](#)
[Exhibit B - Installment Purchase Agreement](#)
[Exhibit C - Purchase Contract](#)
[Exhibit D - Preliminary Official Statement](#)
[Exhibit E - Good Faith Estimate](#)

4. REPORTS (Discuss and Possible Action)

5. ANNOUNCEMENTS

6. ADJOURNMENT

PLEASE NOTE: Materials related to an item on this Agenda submitted to the Board after distribution of the agenda packet are available for public inspection in the District's office located at 380 E. Vanderbilt Way, San Bernardino, during normal business hours. Also, such documents are available on the District's website at www.sbvmd.com subject to staff's ability to post the documents before the meeting. The District recognizes its obligation to provide equal access to those individuals with disabilities. Please contact Melissa Zoba at (909) 387-9228 two working days prior to the meeting with any special requests for reasonable accommodation.

MINUTES OF THE UPPER SANTA ANA RIVER WATERSHED INFRASTRUCTURE FINANCING AUTHORITY

Regular Meeting of the Board of Directors | March 15, 2023

ROLL CALL

Member Agency	Director	Attendance
San Bernardino Valley Municipal Water District	Paul Kielhold	Present
Yucaipa Valley Water District	Nyles O'Harra	Present
San Bernardino Valley Water Conservation District	Betsy Miller	Present
San Bernardino Municipal Water Department		Absent
Western Municipal Water District	Veronica Zheng	Present

Member Agency		Attendance
San Bernardino Valley Municipal Water District	Gil Botello, Alternate	Present
San Bernardino Valley Municipal Water District	Heather Dyer, Executive Director	Present
San Bernardino Valley Municipal Water District	Jose Macedo, Secretary	Present

Staff Present	Agency
Anthony Flordelis	San Bernardino Valley Municipal Water District
Adekunle Ojo	San Bernardino Valley Municipal Water District
Cindy Saks	San Bernardino Valley Municipal Water District
Melissa Zoba	San Bernardino Valley Municipal Water District
Allison Edmisten	Yucaipa Valley Water District
Joyce McIntire	Yucaipa Valley Water District
Joe Zoba	Yucaipa Valley Water District

Others in Attendance:	
Susan Longville	San Bernardino Valley Municipal Water District
Douglas Brown	Stradling Yocca Carlson & Rauth
Jonathan Guz	Stradling Yocca Carlson & Rauth
Lora Carpenter	Fieldmann Rolapp
Robert Porr	Fieldmann Rolapp
Scott Heil	Varner Brandt

CALL TO ORDER

The Regular Meeting of the Upper Santa Ana River Watershed Infrastructure Financing Authority (USAR WIFA) was called to order by Chair Paul Kielhold at 8:30 a.m. Director O’Harra led the Pledge of Allegiance. A quorum was noted present by roll call.

1. PUBLIC COMMENT

Chair Kielhold stated that any member of the public wishing to make any comments to the Authority may do so. There was no comment.

2. APPROVAL OF MINUTES

Action: The minutes of the December 7, 2022 meeting were approved by the following roll-call vote:

MOVED: O’Harra	SECONDED: Miller	APPROVED: 4-0
AYES:	Kielhold, Miller, O’Harra, Zheng	
NOES:		
ABSTAIN:		
ABSENT:	Guerrero	

3. DISCUSSION AND POSSIBLE ACTION ITEMS

3.1 Consider Resolution No. 014 Authorizing the Execution and Delivery of WIFIA Loan Documents and Certain Actions Therewith with Respect to the San Bernardino Valley Municipal Water District Projects in the Watershed Connect Program

Executive Director Heather Dyer introduced the resolution. Lora Carpenter, Vice President of Fieldman Rolapp and Associates reminded they have been assisting the Joint Powers Authority (JPA) in acquiring the loan funding through the Environmental Protection Agency (EPA). She noted that these documents are related to the San Bernardino Valley Municipal Water District (SBVMWD) which is the obligor and the only responsible party for repaying any draws made upon this loan agreement.

Ms. Carpenter reviewed the EPA program master agreement structure, benefits, and the projects requested for approval by SBVMWD. The first loan agreement will provide funding for the Enhanced Recharge Phases 1A and 1B, and the Regional Recycled Water System Phase 1. Proceeds will be generated by SBVMWD to fund their share of the Enhanced Recharge, up of \$86 million, she explained.

The amount repayable will be only as much as actually drawn for construction. The EPA allows other funding sources up to the 49 percent of eligible project costs, which will come from SBVMWD's general fund reserves and project participants, Ms. Carpenter noted.

Jonathan Guz of Stradling Yocca Carlson & Rauth (bond counsel) reviewed the documents. He explained the Watershed Connect program WIFIA master agreement will contain terms and conditions that will be applicable to each of the loans entered. Also to be considered are the form of the initial WIFIA loan agreement, which contains terms that will be updated with applicable interest rate and schedule of payments, the WIFIA installment purchase agreement setting forth the obligation of SBVMWD to make payments to the JPA, and the WIFIA term sheet.

The Resolution also provides authorization to enter into additional term sheets, installment purchase agreements, and loan agreements under the master agreement structure, Mr. Guz advised.

Ms. Carpenter noted SBVMWD approved the documents at its March 7, 2023 Board meeting. Loan closing is anticipated in early May, which will allow the process to fund the proceeds for the Enhanced Recharge Project. Next, an interim financing approach to fund project construction will be determined and will come back to the JPA Board at a later date.

Ms. Dyer reported this was presented to the SBVMWD Board last week. She acknowledged the achievement of getting the project to this step, as it has been in planning for 30 years. This is an example of a region working together to build meaningful projects for future generations to have a reliable water supply, she stated.

Director O'Harra commented on the effort and said his colleagues were pleased to support the program as they have been happy with their experience in the process. Locking down an agreeable interest rate is important, he added.

Director Miller noted the Conservation District is thrilled with the partnerships that have led the projects to this point, and looks forward to construction beginning and the project completion with water in the ground. Phase 1A is a critical component of getting water into the ground this year, she noted.

Action: Resolution No. 014 authorizing the execution and delivery of a WIFIA Master Agreement, WIFIA Installment Purchase Agreements, WIFIA Notes, WIFIA Loan Agreements, WIFIA Term Sheets and certain other documents with respect to the District's portion of the Watershed Connect Program and authorizing the certain acts in connection therewith was adopted by the following roll-call vote:

MOVED: Miller	SECONDED: Zheng	APPROVED: 4-0
AYES:	Kielhold, Miller, O'Harra, Zheng	
NOES:		
ABSTAIN:		
ABSENT:	Guerrero	

RESOLUTION NO. 014

WESTERN MUNICIPAL WATER DISTRICT

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE UPPER SANTA ANA RIVER WATERSHED INFRASTRUCTURE FINANCING AUTHORITY AUTHORIZING THE EXECUTION AND DELIVERY OF A WIFIA MASTER AGREEMENT, WIFIA LOAN AGREEMENTS, WIFIA NOTES, WIFIA TERM SHEETS AND WIFIA INSTALLMENT PURCHASE AGREEMENTS WITH RESPECT TO THE WATERSHED CONNECT PROGRAM AND AUTHORIZING CERTAIN ACTIONS IN CONNECTION THEREWITH

4. REPORTS (Discuss and Possible Action)

Executive Director Dyer reported approximately \$4.5 million has been acquired for this project which is being split based on cost share between Western Municipal Water District and SBVMWD. Another request was submitted to Senators Alex Padilla and Dianne Feinstein for \$2.5 million in community benefits allowances. Last year, \$2.5 million was received from Congressman Pete Aguilar, she noted. She reminded that the full loan amount does not have to be drawn, and further grant funding is being sought. Staff is trying to lock in the good 3.66 percent interest rate, she added.

Moving forward, Yucaipa Valley Water District, SBVMWD, and potential partner Riverside plan additional loans, Ms. Dyer noted, and said that more participation is expected in the future.

Ms. Dyer acknowledged this is the first in-person meeting.

5. ANNOUNCEMENTS

None.

6. ADJOURNMENT

Action: The meeting was adjourned at 8:59 a.m.

APPROVAL CERTIFICATION

I hereby certify to approval of the foregoing Minutes of the Upper Santa Ana River Watershed Infrastructure Financing Authority.

Secretary

Date

Respectfully submitted,

Lynda J. Kerney
Contract Assistant

UPPER SANTA ANA RIVER WATERSHED
INFRASTRUCTURE FINANCING AUTHORITY



DATE: May 17, 2023

TO: Board of Directors

FROM: Heather Dyer, Executive Director

SUBJECT: Consider Resolution No. 015 authorizing certain documents and actions related to the issuance of interim obligations on behalf of San Bernardino Valley Municipal Water District

Staff Recommendation:

Discuss and approve Resolution No. 015 authorizing the issuance of interim notes in a not-to-exceed amount of \$55 million and revenue bonds in a not-to-exceed amount of \$10 million and authorizing certain related actions and documents to provide interim financing for the Enhanced Recharge Project in advance of a 2023 WIFIA Loan.

Summary:

San Bernardino Valley Municipal Water District ("San Bernardino Valley") is the lead agency for a regional stormwater capture project below Seven Oaks Dam called the Enhanced Recharge Project; the other project partners are Western Municipal Water District ("Western Water") and the City of Riverside Public Utilities as well as the San Bernardino Valley Water Conservation District. Phase 1A, completed in 2019 included a 98,000 square feet sedimentation basin downstream of Seven Oaks Dam and an 8-inch pipeline to transport the sediment-free water to existing recharge basins, Foothill Pipeline, and additional future recharge basins.

The Phase 1B of the project is part of the Watershed Connect Program and is included in the first San Bernardino Valley's Water Infrastructure Finance and Innovation Act (WIFIA) loan that is tentatively scheduled to close with the U.S. Environmental Protection Agency (EPA) on June 7, 2023. Construction for Phase 1B was awarded by San Bernardino Valley Board of Directors to Bogh Engineering, Inc. on March 7, 2023 in the amount of \$51.3 million; construction has started and will last through 2025. Total project cost including contingency, construction management, environmental monitoring and other professional services is estimated at \$64.5 million.

UPPER SANTA ANA RIVER WATERSHED INFRASTRUCTURE FINANCING AUTHORITY

Phase 1B includes the construction of 20 recharge basins with levees, access roads, canals, pipelines and connectors, and flow control structures that will allow the capture and recharge of up to 80,000 acre-feet of stormwater in a single year and also allow the delivery of stormwater to other parts of the San Bernardino Valley service area. The completion of this project will maximize the beneficial use of the two Santa Ana water right permits held by San Bernardino Valley and Western Water.

The issuance of up to \$55 million in interim notes will help meet the projected cash flow needs during the construction and when the project is completed, these notes will be repaid by drawing down on the long-term WIFIA loan. This form of bridge financing will combine the liquidity and lower interest of short-term financing with the low fixed-rate and flexible financial terms of long-term WIFIA loan, thereby resulting in significant cost saving. In addition, the issuance of up to \$10 million in revenue bonds will be used to refinance existing San Bernardino Valley's obligations issued in 2011 to construct the Baseline Feeder Wells. The estimated amount of short-term notes to be sold is \$47,895,000 and the estimated amount to refinance the 2011 certificate of participation is \$5,630,000, for a total of \$53,525,000. Nonetheless, the Resolution authorizes higher amounts to allow for flexibility. As mentioned earlier, the notes will be paid off with the WIFIA loan when construction is completed.

Attached to the Resolution are the following legal documents that govern the 2023 issuance of debt, namely:

1. Installment Purchase Agreement - provides for the financing or refinancing, as applicable, of the projects, establishes the payment by the District of the installment payments from certain water revenues and describes certain covenants for the benefit of the bondholders. The Agreement obligates San Bernardino Valley to make installment payments to the Authority; in other words, the other members of the Authority are not responsible for this debt.
2. Purchase Contract - establishes the terms and conditions for the purchase of the Notes and Bonds by Citigroup, the underwriter.
3. Preliminary Official Statement ("POS") - disclosure document to investors which describes the pledged water revenues, District's water operations and risk factors and include "material" information about the Authority District; it is subject to federal securities law
4. Continuing Disclosure Certificate - Authority agrees to annually update financial information and provide notice of certain events.
5. Good Faith Estimates – details of the cost estimates for the Notes and the Refunding Bonds such as estimated principal, interest cost, and finance charges.

UPPER SANTA ANA RIVER WATERSHED INFRASTRUCTURE FINANCING AUTHORITY

S&P has issued a “AAA” rating on the Authority’s 2023 Revenue Interim Notes and Refunding Bond issuance for the District.

Background:

In 2021, the Upper Santa Ana River Watershed Infrastructure Financing Authority (“Authority”) was created through a Joint Exercise of Powers Agreement and the Authority has powers to issue notes and to finance and refinance certain activities of local agencies. San Bernardino Valley Municipal Water District (“San Bernardino Valley”), a founding member of the Authority has previously executed several documents with the Authority and the EPA in connection with the WIFIA Program primarily to finance the Enhanced Recharge Project Phase 1B.

Previous actions by the Authority related to this request include:

1. March 15, 2023: The Board approved [Resolution No. 014](#) authorizing the execution and delivery of WIFIA Loan Documents and certain actions therewith for San Bernardino Valley’s projects in the Watershed Connect Program 2023 WIFIA Loan. Items approved included a WIFIA Master Agreement, WIFIA Loan Agreement (Loan 1), WIFIA Term Sheet (Loan 1), and an Installment Purchase Agreement.
2. May 18, 2022: The Board approved [Resolution No. 010](#) to approve the submission of a WIFIA Loan Application and Related Documents to the EPA for Yucaipa Valley Water District and San Bernardino Valley’s projects.

Fiscal Impact:

All costs associated with this action will be entirely paid by San Bernardino Valley.

Attachments:

Resolution No. 015
Exhibit A – Indenture of Trust
Exhibit B – Installment Purchase Agreement
Exhibit C – Purchase Contract
Exhibit D – Preliminary Official Statement
Exhibit E – Good Faith Estimates

RESOLUTION NO. 015

A RESOLUTION OF THE BOARD OF DIRECTORS OF UPPER SANTA ANA RIVER WATERSHED INFRASTRUCTURE FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$55,000,000 AGGREGATE PRINCIPAL AMOUNT OF INTERIM NOTES IN ONE OR MORE SERIES AND NOT TO EXCEED \$10,000,000 AGGREGATE PRINCIPAL AMOUNT OF REFUNDING REVENUE BONDS IN ONE OR MORE SERIES, AND APPROVING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS IN CONNECTION THEREWITH AND CERTAIN OTHER MATTERS

WHEREAS, the Upper Santa Ana River Watershed Infrastructure Financing Authority (the “Authority”), a public entity duly organized and existing under a Joint Exercise of Powers Agreement, dated July 20, 2021, among San Bernardino Valley Municipal Water District (the “District”), Yucaipa Valley Water District and the other parties thereto and under the Constitution and laws of the State of California (the “State”), has the powers, among others, to issue notes and to finance and refinance certain activities of local agencies as described therein; and

WHEREAS, the District, a municipal water district duly organized and existing under and by virtue of the laws of the State, is a member of the Authority and has previously authorized the execution and delivery of a master agreement and one or more loan agreements, each among the District, the Authority and the United States Environmental Protection Agency (“WIFIA Loan Agreements”) in connection with the acquisition of certain capital improvements (the “2023 WIFIA Project”); and

WHEREAS, the Board of Directors of the Authority (the “Board”) has been requested by the District to finance all or a portion of the 2023 WIFIA Project on an interim basis and for the Authority to approve certain documents in connection with such financing; and

WHEREAS, the Board has determined that it is desirable to issue one or more series of notes (the “Notes”) to assist the District in financing the 2023 WIFIA Project on an interim basis;

WHEREAS, the District has completed its environmental review for and approved the projects to be funded with the initial WIFIA loan in accordance with the California Environmental Quality Act;

WHEREAS, the District has previously caused certain certificates of participation to be executed and delivered in 2011 (the “2011 Certificates”) to finance the cost of certain capital improvements of the District;

WHEREAS, the Board has been requested by the District to refund the 2011 Certificates which remain outstanding for interest rate savings and for the Authority to approve certain documents in connection with such refunding; and

WHEREAS, the Board has determined that it is desirable to issue one or more series of bonds (the “Bonds”) to assist the District in refunding the 2011 Certificates which remain outstanding.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE UPPER SANTA ANA RIVER WATERSHED INFRASTRUCTURE FINANCING AUTHORITY, as follows:

SECTION 1. Findings. The Board hereby specifically finds and declares that the actions authorized hereby constitute and are with respect to public affairs of the Authority and that the statements, findings and determinations set forth above and in the preambles of the documents approved herein are true and correct.

SECTION 2. Indenture of Trust. The proposed form of Indenture of Trust, attached hereto as Exhibit A, is hereby approved. The Chair and the Vice Chair of the Board and the Executive Director of the Authority or the designee thereof (each an “Authorized Officer”) are each hereby individually authorized and directed to execute and deliver the Indenture of Trust with such changes, insertions and omissions as may be recommended by the Authority General Counsel or Stradling Yocca Carlson & Rauth, a Professional Corporation, as Note Counsel (“Note Counsel”) and as Bond Counsel (“Bond Counsel”), and approved by the Authorized Officer executing the same, said execution being conclusive evidence of such approval.

SECTION 3. Installment Purchase Agreement. The proposed form of Installment Purchase Agreement, attached hereto as Exhibit B, is hereby approved. Any Authorized Officer is individually authorized and directed to execute and deliver the Installment Purchase Agreement with such changes, insertions and omissions as may be recommended by Authority General Counsel or Note Counsel and Bond Counsel, and approved by the Authorized Officer executing the same, said execution being conclusive evidence of such approval.

SECTION 4. Purchase Contract. The proposed form of Purchase Contract, attached hereto as Exhibit C, is hereby approved. Any Authorized Officer is individually authorized and directed to execute and deliver the Purchase Contract with such changes, insertions and omissions as may be recommended by Authority General Counsel or Note Counsel and Bond Counsel, and approved by the Authorized Officer executing the same, said execution being conclusive evidence of such approval; provided, however, that in no event shall the aggregate principal amount of the Notes exceed \$55,000,000, nor shall the underwriting discount for the Notes exceed 0.25% of the par amount of the Notes, nor shall the true interest cost of the Notes be greater than 5.00%; and provided further, however, that in no event shall the aggregate principal amount of the Bonds exceed \$10,000,000, nor shall the underwriting discount for the Bonds exceed 0.25% of the par amount of the Bonds, nor shall the true interest cost of the Bonds be greater than 4.50%.

SECTION 5. Preliminary Official Statement and Official Statement. The preparation and distribution of the Preliminary Official Statement, other than Appendix A (the “Authority Information”), in substantially the form attached hereto as Exhibit D, is hereby approved. The Executive Director of the Authority or the designee thereof is hereby individually authorized to approve such changes, insertions and omissions as may be recommended by General Counsel or

Note Counsel and Bond Counsel, including to add information relating to the Bonds and the refunding of the 2011 Certificates or to refer to specific series of Notes or Bonds proposed to be issued, and is hereby authorized to sign a certificate pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 relating to the Authority Information contained in the Preliminary Official Statement. Each Authorized Officer is hereby authorized and directed to execute, approve and deliver Authority Information to be included in the final Official Statement in substantially the form of the Authority Information in the Preliminary Official Statement, with such changes, insertions and omissions as may be recommended by General Counsel or Note Counsel and Bond Counsel and approved by the Authorized Officer executing the same, said execution being conclusive evidence of such approval. The underwriter is hereby authorized to distribute copies of the Authority Information contained in the Preliminary Official Statement to persons who may be interested in the initial purchase of the Notes and the Bonds and is directed to deliver copies of the Authority Information in the final Official Statement to all actual initial purchasers of the Notes and the Bonds.

SECTION 6. Notes and Bonds. The Board hereby authorizes the sale and issuance of one or more series of Notes in an aggregate principal amount not to exceed \$55,000,000 and the sale and issuance of one or more series of Bonds in an aggregate principal amount not to exceed \$10,000,000.

SECTION 7. Trustee. U.S. Bank Trust Company, National Association is hereby appointed to act as trustee under the Indenture of Trust.

SECTION 8. Good Faith Estimate of Costs. The Board acknowledges that the good faith estimates required by Section 5852.1 of the California Government Code are disclosed in Exhibit E to this resolution and are available to the public at the meeting at which this resolution is approved.

SECTION 9. Note Counsel, Bond Counsel and Disclosure Counsel. Stradling Yocca Carlson & Rauth, a Professional Corporation, is hereby appointed to act as Note Counsel to the Authority with respect to the Notes, as Bond Counsel to the Authority with respect to the Bonds and as Disclosure Counsel to the Authority in accordance with the terms of the engagement letter on file with the Secretary.

SECTION 10. Compliance with Debt Policy. The Board finds that the proposed issuance of the Notes for the interim financing of the 2023 WIFIA Project and the proposed issuance of the Bonds for the refunding of the 2011 Certificates which remain outstanding as authorized by this Resolution are consistent with the Debt Management Policy, and to the extent that such proposed interim financing and refunding are inconsistent with any provisions of the Debt Management Policy, such provisions of the Debt Management Policy are hereby waived.

SECTION 11. Other Actions. Each Authorized Officer and the Treasurer of the Authority or the designee thereof and any other proper officers of the Authority, acting singly, are each authorized and directed to do any and all things and to execute and deliver any and all documents and certificates which such officers may deem necessary or advisable in order to consummate the sale, execution and delivery of the Notes and the Bonds, the delivery of the Indenture of Trust, the Installment Purchase Agreement, the Purchase Contract, the Authority

Information in the Preliminary Official Statement and in the Official Statement and otherwise effectuate the purposes of this Resolution, and such actions previously taken by such officers are hereby ratified and confirmed.

SECTION 13. Effect Date of Resolution. This Resolution shall take effect immediately.

Adopted at a regular meeting of the Board of Directors this 17th day May, 2023.

Chair of the Board of Directors

Attest:

Secretary of the Board of Directors

EXHIBIT A
INDENTURE OF TRUST

EXHIBIT B
INSTALLMENT PURCHASE AGREEMENT

EXHIBIT C
PURCHASE CONTRACT

EXHIBIT D
AUTHORITY INFORMATION

EXHIBIT E

GOOD FAITH ESTIMATES

The good faith estimates set forth herein are provided with respect to the Notes and the Bonds in accordance with California Government Code Section 5852.1. Such good faith estimates have been provided to the Authority by Fieldman, Rolapp & Associates, Inc., the Authority's municipal advisor in connection with the issuance of the Notes and the Bonds (the "Municipal Advisor").

Principal Amount. The Municipal Advisor has informed the Authority that, based on the Authority's financing plan and current market conditions, its good faith estimate of the aggregate amount of the Notes to be sold is \$48,345,000 and the aggregate principal amount of the Bonds to be sold is \$5,630,000.

True Interest Cost of the Notes and the Bonds. The Municipal Advisor has informed the Authority that based on the expected interest rates prevailing at the time of preparation of such estimate, their good faith estimate of the true interest cost of the Notes, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the Notes, is 3.42%. The Municipal Advisor has informed the Authority that based on the expected interest rates prevailing at the time of preparation of such estimate, their good faith estimate of the true interest cost of the Bonds, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the Bonds, is 3.37%.

Finance Charge of the Notes and the Bonds. The Municipal Advisor has informed the Authority that, assuming that the Notes are executed, their good faith estimate of the finance charge for the Notes, which means the sum of all fees and charges paid to third parties (or costs associated with the Notes), is \$804,273. The Municipal Advisor has informed the Authority that, assuming that the Bonds are executed, their good faith estimate of the finance charge for the Bonds, which means the sum of all fees and charges paid to third parties (or costs associated with the Bonds), is \$36,047.

Amount of Proceeds to be Received. The Municipal Advisor has informed the Authority that based on estimated interest rates prevailing at the time of preparation of such estimate, their good faith estimate of the amount of proceeds expected to be received by the Authority for sale of the Notes, less the finance charge of the Notes, as estimated above, and any reserves or capitalized interest paid or funded with proceeds of the Notes, of \$5,705,729, is \$43,689,994. The Municipal Advisor has informed the Authority that based on estimated interest rates prevailing at the time of preparation of such estimate, their good faith estimate of the amount of proceeds expected to be received by the Authority for sale of the Bonds, less the finance charge of the Bonds, as estimated above, and any reserves or capitalized interest paid or funded with proceeds of the Bonds, is \$6,402,282.

Total Payment Amount. The Municipal Advisor has informed the Authority that based on interest rates prevailing at the time of preparation of such estimate, their good faith estimate

of the total payment amount, which means the sum total of all payments the Authority will make to pay debt service on the Notes, plus the finance charge for the Notes, as described above, paid with the proceeds of the Notes, calculated to the final maturity of the Notes, is \$54,294,120, which excludes any reserves funded with proceeds of the Notes (which may offset such total payment amount). The Municipal Advisor has informed the Authority that based on interest rates prevailing at the time of preparation of such estimate, their good faith estimate of the total payment amount, which means the sum total of all payments the Authority will make to pay debt service on the Bonds, plus the finance charge for the Bonds, as described above, paid with the proceeds of the Bonds, calculated to the final maturity of the Bonds, is \$8,690,261, which excludes any reserves funded with proceeds of the Bonds (which may offset such total payment amount).

The foregoing estimates constitute good faith estimates only as of May 2, 2023, and are based on information provided in the Indenture at the time of preparation of such estimates and have no bearing on, and should not be misconstrued as, any not-to-exceed financial parameters authorized by the resolution. The actual principal amount of the Notes and the Bonds issued and sold, the true interest cost thereof, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates due to (a) the actual date of issuing the Notes and the Bonds being different than the date assumed for purposes of such estimates, (b) the actual principal amount of Notes and Bonds sold being different from the principal amount, (c) the actual amortization of the Notes and the Bonds being different than the amortization assumed for purposes of such estimates, (d) the actual interest rates at the time of sale of the Notes and the Bonds being different than those estimated for purposes of such estimates, (e) other market conditions, (f) alterations in the Authority's financing plan, or a combination of such factors. The actual date of execution of the Notes and the Bonds and the actual principal amount of the Notes and the Bonds sold will be determined by the Authority based on the timing of the need for proceeds of the Notes and the Bonds and other factors. Factors such as the final loan repayment schedule, any changes to the interest rate on the Notes and the Bonds and timing of the execution of the Notes and the Bonds may be affected by factors beyond the control of the Authority, or the Municipal Advisor.

INDENTURE OF TRUST

Dated as of May 1, 2023

By and between

**U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION
as Trustee**

and the

**UPPER SANTA ANA RIVER WATERSHED INFRASTRUCTURE FINANCING
AUTHORITY**

Relating to

\$_____

**UPPER SANTA ANA RIVER WATERSHED INFRASTRUCTURE FINANCING
AUTHORITY
INTERIM NOTES (SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT),
SERIES 2023A**

and

\$_____

**UPPER SANTA ANA RIVER WATERSHED INFRASTRUCTURE FINANCING
AUTHORITY
REFUNDING REVENUE BONDS (SAN BERNARDINO VALLEY MUNICIPAL WATER
DISTRICT), SERIES 2023B**

TABLE OF CONTENTS

Page

ARTICLE I

DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS

Section 1.01.	Definitions.....	3
Section 1.02.	Content of Certificates and Opinions.....	11
Section 1.03.	Interpretation.....	11

ARTICLE II

THE OBLIGATIONS

Section 2.01.	Authorization of Obligations	12
Section 2.02.	Terms of the Obligations	12
Section 2.03.	Transfer of Obligations.....	13
Section 2.04.	Exchange of Obligations.....	14
Section 2.05.	Registration Books.....	14
Section 2.06.	Form and Execution of Obligations.....	14
Section 2.07.	Obligations Mutilated, Lost, Destroyed or Stolen	15
Section 2.08.	Book-Entry System.....	15

ARTICLE III

ISSUANCE OF OBLIGATIONS; APPLICATION OF PROCEEDS

Section 3.01.	Issuance of the Obligations.....	18
Section 3.02.	Application of Proceeds of the Obligations	18
Section 3.03.	Establishment and Application of Costs of Issuance Fund.....	18
Section 3.04.	Validity of Obligations	19

ARTICLE IV

REDEMPTION OF OBLIGATIONS

Section 4.01.	Terms of Redemption	19
Section 4.02.	Selection of Obligations for Redemption.....	19
Section 4.03.	Notice of Redemption.....	19
Section 4.04.	Partial Redemption of Obligations.....	20
Section 4.05.	Effect of Redemption.....	20

ARTICLE V

REVENUES, FUNDS AND ACCOUNTS;
PAYMENT OF PRINCIPAL AND INTEREST

Section 5.01.	Pledge and Assignment; Obligation Payment Fund	20
Section 5.02.	Allocation of Authority Revenues	21
Section 5.03.	Application of Interest Accounts	22

TABLE OF CONTENTS

(continued)

	<u>Page</u>
Section 5.04.	Application of Principal Accounts 22
Section 5.05.	Application of Redemption Fund..... 22
Section 5.06.	Investments 22
Section 5.07.	Rebate Fund 23
Section 5.08.	Application of Funds and Accounts When No Obligations are Outstanding 25
Section 5.09.	2023A Notes Capitalized Interest Account..... 25

ARTICLE VI

PARTICULAR COVENANTS

Section 6.01.	Punctual Payment..... 25
Section 6.02.	Extension of Payment of Obligations 25
Section 6.03.	Against Encumbrances..... 25
Section 6.04.	Power to Issue Obligations and Make Pledge and Assignment..... 25
Section 6.05.	Accounting Records and Financial Statements..... 26
Section 6.06.	Tax Covenants 26
Section 6.07.	Payments Under Installment Purchase Agreement..... 27
Section 6.08.	Waiver of Laws 27
Section 6.09.	Further Assurances..... 27
Section 6.10.	Eminent Domain 27

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF OBLIGATION OWNERS

Section 7.01.	Events of Default 27
Section 7.02.	Remedies Upon Event of Default 28
Section 7.03.	Application of Authority Revenues and Other Funds After Default 29
Section 7.04.	Trustee to Represent Obligation Owners 29
Section 7.05.	Obligation Owners' Direction of Proceedings..... 30
Section 7.06.	Suit by Owners..... 30
Section 7.07.	Absolute Obligation of the Authority 30
Section 7.08.	Remedies Not Exclusive 31
Section 7.09.	No Waiver of Default..... 31

ARTICLE VIII

THE TRUSTEE

Section 8.01.	Duties, Immunities and Liabilities of Trustee..... 31
Section 8.02.	Merger or Consolidation 32
Section 8.03.	Liability of Trustee 32
Section 8.04.	Right to Rely on Documents..... 35
Section 8.05.	Preservation and Inspection of Documents..... 35
Section 8.06.	Compensation and Indemnification 36

TABLE OF CONTENTS

(continued)

Page

ARTICLE IX

MODIFICATION OR AMENDMENT OF THE INDENTURE

Section 9.01.	Amendments Permitted.....	36
Section 9.02.	Effect of Supplemental Indenture	37
Section 9.03.	Endorsement of Obligations; Preparation of New Obligations.....	37
Section 9.04.	Amendment of Particular Obligations	38

ARTICLE X

DEFEASANCE

Section 10.01.	Discharge of Indenture.....	38
Section 10.02.	Discharge of Liability on Obligations.....	38
Section 10.03.	Deposit of Money or Securities with Trustee	39
Section 10.04.	Payment of Obligations After Discharge of Indenture	39

ARTICLE XI

MISCELLANEOUS

Section 11.01.	Liability of Authority Limited to Authority Revenues	40
Section 11.02.	Successor Is Deemed Included in All References to Predecessor	40
Section 11.03.	Limitation of Rights to Parties and Obligation Owners.....	40
Section 11.04.	Waiver of Notice; Requirement of Mailed Notice.....	40
Section 11.05.	Destruction of Obligations	41
Section 11.06.	Severability of Invalid Provisions.....	41
Section 11.07.	Notices	41
Section 11.08.	Evidence of Rights of Obligation Owners	41
Section 11.09.	Disqualified Obligations	42
Section 11.10.	Money Held for Particular Obligations.....	42
Section 11.11.	Funds and Accounts.....	42
Section 11.12.	Waiver of Personal Liability	42
Section 11.13.	Execution in Several Counterparts.....	42
Section 11.14.	CUSIP Numbers.....	43
Section 11.15.	Choice of Law.....	43
Section 11.16.	Notice to Rating Agency.....	43
Section 11.17.	U.S.A. Patriot Act	43

Signatures	S-1
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Exhibit A	Form of 2023A Note.....	A-1
Exhibit B	Form of 2023B Bond.....	B-1

INDENTURE OF TRUST

THE INDENTURE OF TRUST is made and entered into and dated as of May 1, 2023, by and between the UPPER SANTA ANA RIVER WATERSHED INFRASTRUCTURE FINANCING AUTHORITY, a joint exercise of powers agency that is duly organized and existing under and by virtue of the laws of the State of California (the “**Authority**”), and U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association that is duly organized and existing under the laws of the United States of America, as trustee hereunder (the “**Trustee**”).

RECITALS

A. The Authority has been created pursuant to the JPA Agreement with the powers, among others, to issue notes and bonds on behalf of its members.

B. San Bernardino Valley Municipal Water District (the “**District**”), a member of the Authority, has determined that it is in the best interest of the District to acquire and refinance the costs of acquiring certain capital improvements with the assistance of the Authority.

C. The Authority is authorized pursuant to State law, including but not limited to, Section 6588(c) of the Government Code of the State of California (the “**Government Code**”) and pursuant to Sections 5 and 10 of the JPA Agreement to incur indebtedness for such purposes, and is authorized pursuant to State law, including but not limited to Section 6588(m) of the Government Code, to assign and pledge to the repayment of such indebtedness amounts payable to the Authority by its members.

D. The District has determined that it is in the District’s best interest to acquire and refinance the costs of acquiring such capital improvements, as applicable, as further described in the Installment Purchase Agreement.

E. The Authority hereby finds pursuant to Section 6586 of the Government Code that the issuance of the obligations that are authorized pursuant to Section 2.01 hereof (the “**Obligations**”) to finance and refinance the costs of acquiring such capital improvements will have demonstrable savings in effective interest rate, bond preparation, bond underwriting or bond issuance costs and significant reductions in effective user charges levied by the District.

F. In order to provide for the authentication and delivery of the Obligations, to establish and declare the terms and conditions upon which the Obligations are to be issued and secured and to secure the payment of the principal thereof and interest and premium, if any, thereon, the Authority has authorized the execution and delivery of the Indenture.

G. The Authority has determined that all acts and proceedings which are required by law and necessary to make the Obligations, when executed by the Authority, authenticated and delivered by the Trustee, and duly issued, the valid, binding and legal special obligations of the Authority, and to constitute the Indenture a valid and binding agreement for the uses and purposes set forth herein in accordance with its terms, have been done and taken, and the execution and delivery of the Indenture have been in all respects duly authorized.

GRANTING CLAUSES

The Authority, in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the mutual covenants herein contained and of the purchase and acceptance of the Obligations by the owners thereof, and for other valuable considerations, the receipt of which is hereby acknowledged, in order to secure the payment of the principal of and the interest and premium (if any) on all Obligations at any time issued and Outstanding under the Indenture, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, does hereby assign and pledge unto, and grant a security interest in, the following (the “**Trust Estate**”) to the Trustee, and its successors in trust and assigns forever, for the securing of the performance of the obligations of the Authority to the Obligation Owners hereinafter set forth:

FIRST

All right, title and interest of the Authority in and to the Authority Revenues (as such term is defined herein), including, but without limiting the generality of the foregoing, the present and continuing right to make claim for, collect, receive and receipt for any Authority Revenues which are payable to or receivable by the Authority under the Constitution of the State, the Government Code and the Indenture and any other applicable laws of this State or otherwise, to bring actions and proceedings thereunder for the enforcement thereof, and to do any and all things which the Authority is or may become entitled to do thereunder, subject to the terms hereof.

SECOND

All moneys and securities held in funds and accounts of the Indenture, except amounts held in the Rebate Fund, and all other rights of every name and nature from time to time herein or hereafter by delivery or by writing of any kind pledged, assigned or transferred as and for additional security hereunder to the Trustee by the Authority or by anyone on its behalf, or with its written consent, and to hold and apply the same, subject to the terms hereof.

THIRD

All of the rights, title, and interest of the Authority in the Installment Purchase Agreement, including all rights of the Authority to receive payments thereunder and all rights of the Authority thereunder as may be necessary to enforce compliance with said provisions (including enforcement of payment obligations and rate covenants, if any, contained in the Installment Purchase Agreement) or otherwise to protect the interest of the Owners of the Obligations, subject to the terms hereof, and excepting therefrom any rights to indemnification or to receive notices thereunder.

TO HAVE AND TO HOLD all and singular the Trust Estate, whether now owned or hereafter acquired, unto the Trustee and its respective successors in trust and assigns forever for the benefit of the Owners, and such pledge shall constitute a lien on and security interest in such Trust Estate;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all present and future owners of the Obligations issued under and secured by the Indenture without privilege, priority or distinction as to the lien or otherwise of any of the Obligations over any of the other Obligations;

PROVIDED, HOWEVER, that if the Authority, its successors or assigns shall well and truly pay, or cause to be paid, the principal of and interest and any redemption premium on the Obligations due or to become due thereon, at the times and in the manner provided in the Obligations according to the true intent and meaning thereof, and shall well and truly keep, perform and observe all of the covenants and conditions pursuant to the terms of the Indenture to be kept, performed and observed by it, and shall pay or cause to be paid to the Trustee all sums of money due or to become due in accordance with the terms and provisions hereof, then upon such final payments or deposits as herein provided, the Indenture and the rights hereby granted shall cease, terminate and be void; otherwise the Indenture shall remain in full force and effect.

THE INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all Obligations which are issued and secured hereunder are to be issued, authenticated and delivered, and all sold property, rights and interests, including, without limitation, the Authority Revenues, hereby assigned and pledged, are to be dealt with and disposed of, under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes hereinafter expressed, and the Authority has agreed and covenanted and does hereby covenant and agree with the Trustee, for the benefit of the respective Owners from time to time of the Obligations, as follows:

ARTICLE I

DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS

Section 1.01. Definitions. Unless the context otherwise requires, the terms that are defined in this Section 1.01 shall, for all purposes of the Indenture and of any indenture supplemental hereto and of any certificate, opinion or other document that is mentioned herein, have the meanings that are specified herein, to be equally applicable to both the singular and plural forms of any of the terms that are defined herein. Unless the context otherwise requires, all capitalized terms that are used herein and not defined have the meanings that are ascribed thereto in the Installment Purchase Agreement.

Authority. The term “Authority” means the Upper Santa Ana River Watershed Infrastructure Financing Authority, a public body that is duly organized and existing under the JPA Agreement, and under the Constitution and laws of the State of California.

Authority Revenues. The term “Authority Revenues” means: (a) all Series 2023 Installment Payments received by the Authority or the Trustee pursuant to or with respect to the Installment Purchase Agreement; and (b) all interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder with respect to the Obligations.

Authorized Representative. The term “Authorized Representative” means with respect to the Authority, its Chair, Vice Chair, Secretary, Treasurer or Executive Director or any other person designated as an Authorized Representative of the Authority by a Certificate of the Authority signed by its Chair, Vice Chair, Secretary, Treasurer or Executive Director and filed with the Trustee.

Bond Counsel. The term “Bond Counsel” means Stradling Yocca Carlson & Rauth, a Professional Corporation or another firm of nationally recognized attorneys experienced in the issuance of obligations the interest on which is excludable from gross income under Section 103 of the Code.

Business Day. The term “Business Day” means: (i) a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the State in which the Office of the Trustee is located, are closed; or (ii) a day on which the New York Stock Exchange is not closed.

Certificate; Direction; Request; Requisition. The terms “Certificate,” “Direction,” “Request,” and “Requisition” of the Authority mean a written certificate, direction, request or requisition signed in the name of the Authority by its Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by Section 1.02, each such instrument shall include the statements that are provided for in Section 1.02.

Closing Date. The term “Closing Date” means the date on which the Obligations are delivered to the original purchaser thereof.

Code. The term “Code” means the Internal Revenue Code of 1986, as amended.

Costs of Issuance. The term “Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Authority and related to the authorization, issuance, sale and delivery of the Obligations and the execution and delivery of the WIFIA Master Agreement and the 2023 WIFIA Loan Agreement, including but not limited to costs of preparation and reproduction of documents, printing expenses, filing and recording fees, initial fees and charges of the Trustee and counsel to the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, Rating Agency fees, title insurance premiums, letter of credit fees and bond insurance premiums (if any), fees and charges for preparation, execution and safekeeping of the Obligations and any other cost, charge or fee in connection with the original issuance of the Obligations.

Costs of Issuance Fund. The term “Costs of Issuance Fund” means the fund by that name established pursuant to Section 3.03.

Depository; DTC. The terms “Depository” and “DTC” mean The Depository Trust Company, New York, New York, a limited purpose trust company that is organized under the laws of the State of New York, in its capacity as securities depository for the Obligations.

District. The term “District” means the San Bernardino Valley Municipal Water District, a municipal water district that is duly organized and existing under and by virtue of the laws of the State.

Event of Default. The term “Event of Default” means any of the events that are specified in Section 7.01.

Federal Securities. The term “Federal Securities” means any direct, noncallable general obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), or noncallable obligations the timely payment of principal of and interest on which are fully and unconditionally guaranteed by the United States of America.

Fitch. The term “Fitch” means Fitch Ratings, Inc., or any successor thereto.

Government Code. The term “Government Code” means the Government Code of the State.

Indenture. The term “Indenture” means the Indenture of Trust, dated as of May 1, 2023, by and between the Authority and the Trustee, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture.

Information Services. The term “Information Services” means the Municipal Securities Rulemaking Board; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds as the Authority may specify in a certificate to the Authority and the Trustee as the Trustee may select.

Installment Purchase Agreement. The term “Installment Purchase Agreement” means the Installment Purchase Agreement, dated as of the date hereof, by and between the Authority and the District, as amended from time to time, pursuant to which the Series 2023 Installment Payments are scheduled to be paid by the District.

Interest Accounts. The term “Interest Accounts” means, collectively, the 2023A Notes Interest Account and the 2023B Bonds Interest Account.

Interest Payment Date. The term “Interest Payment Date” means (a) with respect to the 2023A Notes, December 1, 2023 and each June 1 and December 1 thereafter, and (b) with respect to the 2023B Bonds, January 1, 2024 and each January 1 and July 1 thereafter.

Investment Agreement. The term “Investment Agreement” means an investment agreement by a provider, supported by appropriate opinions of counsel, provided that any such Investment Agreement shall: (i) be from a provider rated at the time of initial execution by S&P or Moody’s at “A-” or “A3”, respectively, or above; (ii) require the Authority or the District to terminate such agreement and immediately reinvest the proceeds thereof in other Permitted Investments if the rating assigned to the provider by S&P or Moody’s falls to “BBB” or “Baa2”, respectively, or below; and (iii) expressly permit the withdrawal, without penalty, of any amounts necessary at any time to fund any deficiencies on account of debt service requirements with respect to the Obligations, together with such amendments as may be approved by the Authority and the Trustee from time to time.

JPA Agreement. The term “JPA Agreement” means that certain Joint Exercise of Powers Agreement, dated July 20, 2021, by and among the District, the Yucaipa Valley Water District and the other parties thereto, creating the Upper Santa Ana River Watershed Infrastructure Financing Authority, and that is organized and existing under and by virtue of the laws of the State, as amended from time to time.

Letter of Representations. The term “Letter of Representations” means the letter of the Authority delivered to and accepted by the Depository on or prior to delivery of the Obligations as book-entry bonds setting forth the basis on which the Depository serves as depository for such book-entry bonds, as originally executed or as it may be supplemented or revised or replaced by a letter from the Authority delivered to and accepted by the Depository.

Moody’s. The term “Moody’s” means Moody’s Investors Service, Inc. or any successor thereto.

Nominee. The term “Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to Section 2.08 hereof.

Obligation Payment Fund. The term “Obligation Payment Fund” means the fund by that name established pursuant to Section 5.01(c).

Obligation Year. The term “Obligation Year” means the period beginning on the date of issuance of the Obligations and ending on June 30, 2023, and each successive one year or, during the last period prior to maturity, shorter period thereafter until there are no Outstanding Obligations.

Obligations. The term “Obligations” means, collectively, the 2023A Notes and the 2023B Bonds.

Office. The term “Office” means with respect to the Trustee, the corporate trust office of the Trustee in Los Angeles, California, provided that for purposes of payment, redemption, exchange, transfer, surrender and cancellation of Certificates such term means the principal corporate trust office of the Trustee in St. Paul, Minnesota or such other office as the Trustee may from time to time designate in writing to the Authority and the Owners.

Opinion of Counsel. The term “Opinion of Counsel” means a written opinion of counsel (including but not limited to counsel to the Authority) selected by the Authority. If and to the extent required by the provisions of Section 1.02, each Opinion of Counsel shall include the statements provided for in Section 1.02.

Outstanding. The term “Outstanding,” when used as of any particular time with reference to Obligations, means (subject to the provisions of Section 11.09) all Obligations theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except: (i) Obligations theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (ii) Obligations with respect to which all liability of the Authority shall have been discharged in accordance with Section 10.02, including Obligations (or portions thereof) described in Section 11.10; (iii) Obligations for the transfer or exchange of or in lieu of or in substitution for which other Obligations shall have been authenticated and delivered by the Trustee pursuant to the Indenture; and (iv) Obligations paid pursuant to the last sentence of Section 2.07.

Owner; Obligation Owner. The terms “Owner” or “Obligation Owner,” whenever used herein with respect to a Obligation, mean the person in whose name the ownership of such Obligation is registered on the Registration Books.

Participants. The term “Participants” means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds book-entry certificates as securities depository.

Permitted Investments. The term “Permitted Investments” means any of the following which at the time are legal investments under the laws of the State for moneys held hereunder and then proposed to be invested therein:

(A) Federal Securities;

(B) for all purposes, including defeasance investments in refunding escrow accounts: (1) cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in clause (2) below); (2) direct, non-callable obligations of (including obligations issued or held in book entry form on the books of: the Department of the Treasury of the

United States of America; (3) U.S. Treasury Certificates, Notes and Notes (including State and Local Government Series); (4) Resolution Funding Corp. strips (only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable); (5) Pre-refunded municipal bonds rated “Aaa” by Moody’s and “AAA” by S&P. If however, the issue is only rated by S&P (i.e., there is no Moody’s rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or “AAA” rated pre-refunded municipal obligations to satisfy this condition; and (6) Obligations issued by the following agencies which are backed by the full faith and credit of the U.S.: a. U.S. Export-Import Bank (Eximbank): Direct obligations or fully guaranteed certificates of beneficial ownership; b. Farmers Home Administration: Certificates of beneficial ownership; c. Federal Financing Bank; d. General Services Administration: Participation Certificates; e. U.S. Maritime Administration: Guaranteed Title XI financing; and f. U.S. Department of Housing and Urban Development: Project Notes, Local Authority Notes, New Communities Debentures – U.S. government guaranteed debentures, U.S. Public Housing Notes and Notes – U.S. government guaranteed public housing notes and bonds; and

(C) for all purposes other than defeasance investments in refunding escrow accounts:

(1) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations of the principal of and interest on which are unconditionally guaranteed by the United States of America;

(2) obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America: Farmers Home Administration; General Services Administration; United States Maritime Administration; Government National Mortgage Association; United States Department of Housing & Urban Development; Federal Financing Bank; and Federal Housing Administration Debentures;

(3) obligations of any of the following federal agencies which obligations do not represent the full faith and credit of the United States of America, including the Federal Home Loan Bank System; Federal Home Loan Mortgage Corporation (FHLMC); Federal National Mortgage Association (FNMA); Student Loan Marketing Association; Resolution Funding Corp.; and Farm Credit System;

(4) commercial paper which is rated at the time of purchase in the single highest classification, “A-1” by S&P and “P-1” by Moody’s;

(5) investments in a money market fund rated “AAAm”, “AAAm-G” or “AA-m” or better by S&P, or “Aaa”, “Aa1” or “Aa2” or better by Moody’s, including any fund for which the Trustee or an affiliate acts as investment advisor or provides other services but excluding funds with a floating net asset value;

(6) Certificates of deposit secured at all times by collateral described in clauses (A) and/or (B)(1) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks, including the Trustee and its affiliates. The collateral must be held by a third party and the Trustee must have a perfected first security interest in the collateral;

(7) Certificates of deposit (including those of the Trustee, its parent and its affiliates), savings accounts, deposit accounts or money market deposits;

(8) Investment Agreements, including GICs, Forward Purchase Agreements and Reserve Fund Put Agreements;

(9) Federal Funds or bankers acceptances with a maximum term of one year of any bank, including the Trustee and its affiliates, which has an unsecured, uninsured and unguaranteed obligation rating of “Prime-1” or “A3” or better by Moody’s and “A-1” or “A” or better by S&P;

(10) Repurchase agreements provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Trustee or the District, as applicable, and the transfer of cash from the Trustee or the District, as applicable, to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Trustee or the District, as applicable, in exchange for the securities at a specified date;

1. Repurchase agreements must be between the municipal entity and a dealer bank or securities firm.

a. Primary dealers on the Federal Reserve reporting dealer list which are rated “A” or better by S&P and Moody’s; or

b. Banks rated “A” or above by S&P and Moody’s.

2. The written contract must include the following:

a. Securities which are acceptable for transfer are: (1) Direct U.S. Government securities; or (2) Federal agency securities that are backed by the full faith and credit of the U.S. government (and FNMA and FHLMC);

b. The term of the repurchase agreement may be up to thirty (30) days;

c. The collateral must be delivered to the Trustee or the District, as applicable, trustee (if trustee is not supplying the collateral) or third party acting as agent for the trustee (if the trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificates securities); and

d. The securities must be valued weekly, marked-to-market at current market price plus accrued interest. The value of collateral must be equal to 104% of the amount of cash transferred by the Trustee or the District, as applicable, to the dealer bank or security firm under the repo plus accrued interest. If the value of the securities held as collateral slips below the 104% of the value of the cash transferred by the Trustee or the District, as applicable, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.

3. Legal opinion which must be delivered to the Trustee and the District: the repurchase agreement meets guidelines under State law for legal investment of public funds;

(11) The Local Agency Investment Fund of the State of California created pursuant to Section 16429.1 of the California Government Code;

(12) Shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California which invests exclusively in investments permitted by Section 53601 of Title 5, Division 2, Chapter 4 of the Government Code of California, as it may be amended; and.

(13) Unsecured certificates of deposit, time deposits, money market deposits, demand deposits and bankers' acceptances of any bank (including those of Trustee, its parent and its affiliates) the short-term obligations of which are rated on the date of purchase "A-1" or better by S&P, "P-1" or better by Moody's or "F1" or better by Fitch.

Principal Accounts. The term "Principal Accounts" mean, collectively, the 2023A Notes Principal Account and the 2023B Bonds Principal Account.

Proceeds Fund. The term "Proceeds Fund" means the fund by that name established pursuant to Section 3.02.

Rating. The term "Rating" means any currently effective rating on the Obligations issued by a Rating Agency.

Rating Agency. The term "Rating Agency" means each of S&P or Fitch.

Rebate Fund. The term "Rebate Fund" means the fund by that name established pursuant to Section 5.07.

Record Date. The term "Record Date" means, with respect to any Interest Payment Date, the fifteenth (15th) day of the calendar month preceding such Interest Payment Date, whether or not such day is a Business Day.

Redemption Date. The term "Redemption Date" means the date fixed for an optional redemption prior to maturity of the Obligations.

Redemption Fund. The term "Redemption Fund" means the fund by that name established pursuant to Section 5.05.

Redemption Price. The term "Redemption Price" means, with respect to any Obligation (or portion thereof), the principal amount of such Obligation (or portion) plus the interest accrued to the applicable Redemption Date and the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Obligation and the Indenture.

Registration Books. The term "Registration Books" means the records maintained by the Trustee for the registration of ownership and registration of transfer of the Obligations pursuant to Section 2.05.

Responsible Officer of the Trustee. The term "Responsible Officer of the Trustee" means any officer within the corporate trust division (or any successor group or department of the Trustee) customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, with responsibility for the administration of the Indenture.

S&P. The term “S&P” means S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, or any successor thereto.

Securities Depositories. The term “Securities Depositories” means The Depository Trust Company; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other securities depositories as the Authority may designate in a Request of the Authority deliver to the Trustee.

State. The term “State” means the State of California.

Supplemental Indenture. The term “Supplemental Indenture” means any indenture that is hereafter duly authorized and entered into between the Authority and the Trustee, supplementing, modifying or amending the Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

Tax Certificate. The term “Tax Certificate” means the Tax Certificate dated the Closing Date, concerning certain matters pertaining to the use and investment of proceeds of the Obligations issued by the Authority on the date of issuance of the Obligations, including any and all exhibits attached thereto.

Trustee. The term “Trustee” means U.S. Bank Trust Company, National Association, a national banking association duly organized and existing under the laws of the United States of America, or its successor, as Trustee hereunder as provided in Section 8.01.

2011 Trust Agreement. The term “2011 Trust Agreement” means the Trust Agreement, dated as of June 1, 2011, by and amount the 2011 Trustee, the San Bernardino Valley Municipal Water District Financing Corporation and the District pursuant to which the San Bernardino Valley Municipal Water District Revenue Certificates of Participation, Series 2011A were executed and delivered.

2011 Trustee. The term “2011 Trustee” means U.S. Bank Trust Company, National Association, as successor trustee under the 2011 Trust Agreement.

2023A Notes. The term “2023A Notes” means the Upper Santa Ana River Watershed Infrastructure Financing Authority Interim Notes (San Bernardino Valley Municipal Water District), Series 2023A issued by the Authority and at any time Outstanding pursuant to the Indenture.

2023A Notes Capitalized Interest Account. The term “2023A Notes Capitalized Interest Account” means the account by that name established pursuant to Section 5.09 hereof.

2023A Notes Interest Account. The term “2023A Notes Interest Account” means the account by that name in the Obligation Payment Fund established pursuant to Section 5.03.

2023A Notes Principal Account. The term “2023A Notes Principal Account” means the account by that name in the Obligation Payment Fund established pursuant to Section 5.04.

2023B Bonds. The term “2023B Bonds” means the Upper Santa Ana River Watershed Infrastructure Financing Authority Refunding Revenue Bonds (San Bernardino Valley Municipal Water District), Series 2023B issued by the Authority and at any time Outstanding pursuant to the Indenture.

2023B Bonds Interest Account. The term “2023B Bonds Interest Account” means the account by that name in the Obligation Payment Fund established pursuant to Section 5.03.

2023 B Bonds Principal Account. The term “2023B Bonds Principal Account” means the account by that name in the Obligation Payment Fund established pursuant to Section 5.04.

Section 1.02. Content of Certificates and Opinions. Every certificate or opinion that is provided for in the Indenture, except the certificate of destruction that is provided for in Section 11.05 hereof, with respect to compliance with any provision hereof shall include: (1) a statement that the person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto; (2) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (3) a statement that, in the opinion of such person he or she has made or caused to be made such examination or investigation as is necessary to enable such person to express an informed opinion with respect to the subject matter referred to in the instrument to which such person’s signature is affixed; (4) a statement of the assumptions upon which such certificate or opinion is based, and that such assumptions are reasonable; and (5) a statement as to whether, in the opinion of such person, such provision has been complied with.

Any such certificate or opinion that is made or given by an officer of the Authority may be based, insofar as it relates to legal or accounting matters, upon a certificate or opinion of or representation by counsel or an Independent Certified Public Accountant, unless such officer knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel or an Independent Certified Public Accountant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the Authority) upon a certificate or opinion of or representation by an officer of the Authority, unless such counsel or Independent Certified Public Accountant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which such person’s certificate or opinion or representation may be based, as aforesaid, is erroneous. The same officer of the Authority, or the same counsel or Independent Certified Public Accountant, as the case may be, need not certify to all of the matters that are required to be certified under any provision of the Indenture, but different officers, counsel or Independent Certified Public Accountants may certify to different matters, respectively.

Section 1.03. Interpretation.

(a) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa, and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(c) All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of the Indenture; the words “herein,” “hereof,”

“hereby,” “hereunder” and other words of similar import refer to the Indenture as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II

THE OBLIGATIONS

Section 2.01. Authorization of Obligations.

(a) The Authority hereby authorizes the issuance hereunder from time to time of the 2023A Notes, which shall constitute special obligations of the Authority, for the purpose of financing the 2023 Project on an interim basis. The 2023A Notes are hereby designated the “Upper Santa Ana River Watershed Infrastructure Financing Authority Interim Notes (San Bernardino Valley Municipal Water District), Series 2023A” in the aggregate principal amount of \$_____. The Indenture constitutes a continuing agreement with the Owners from time to time of the 2023A Notes to secure the full payment of the principal of and interest and premium (if any) on all the 2023A Notes, subject to the covenants, provisions and conditions herein contained.

(b) The Authority hereby authorizes the issuance hereunder from time to time of the 2023B Bonds, which shall constitute special obligations of the Authority, for the purpose of refinancing the costs of acquiring the 2011 Project. The 2023B Bonds are hereby designated the “Upper Santa Ana River Watershed Infrastructure Financing Authority Refunding Revenue Bonds (San Bernardino Valley Municipal Water District), Series 2023B” in the aggregate principal amount of \$_____. The Indenture constitutes a continuing agreement with the 2023B Bonds from time to time of the 2023B Bonds to secure the full payment of the principal of and interest and premium (if any) on all the 2023B Bonds, subject to the covenants, provisions and conditions herein contained.

Section 2.02. Terms of the Obligations. The 2023A Notes shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof.

(a) The 2023A Notes shall mature on December 1, [2025] in the amount of \$_____ and shall bear interest on each Interest Payment Date at the rate of ___% per annum.

(b) The 2023B Bonds shall mature on July 1 in each of the years and in the amounts set forth below and shall bear interest on each Interest Payment Date at the rates set forth below:

Maturity Date
(July 1)

Principal Amount

Interest Rate

(c) Interest on the Obligations shall be payable on each Interest Payment Date to the person whose name appears on the Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee sent by first class mail on the applicable Interest Payment Date to the Owner at the address of such Owner as it appears on the Registration Books (except that in the case of an Owner of one million dollars (\$1,000,000) or more in principal amount, such payment may, at such Owner's option, be made by wire transfer of immediately available funds to an account in the United States in accordance with written instructions provided to the Trustee by such Owner prior to the Record Date. Principal of and premium (if any) on any Obligation shall be paid by check of the Trustee upon presentation and surrender thereof at maturity or upon the prior redemption thereof, at the Office of the Trustee. Both the principal of and interest and premium (if any) on the Obligations shall be payable in lawful money of the United States of America.

Each Obligation shall be dated the date of initial delivery, and shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless: (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (b) unless it is authenticated on or before the first Record Date, in which event it shall bear interest from the date of initial delivery; provided, however, that if, as of the date of authentication of any Obligation, interest thereon is in default, such Obligation shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Interest on the Obligations shall be calculated on the basis of a 360-day year composed of twelve 30-day months.

Section 2.03. Transfer of Obligations. Any Obligation may, in accordance with its terms, be transferred on the Registration Books by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Obligation at the Office of the Trustee for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. The Trustee shall not be required to register the transfer of any Obligation during the period in which the Trustee is selecting Obligations for redemption and any Obligation that has been selected for redemption.

Whenever any Obligation or Obligations shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and deliver a new Obligation or Obligations of authorized denomination or denominations for a like series and aggregate principal amount of the same maturity. The Trustee shall require the Obligation Owner requesting such transfer to pay any tax or other governmental charge that is required to be paid with respect to such transfer. Following any transfer of Obligations, the Trustee will cancel and destroy the Obligations that it has received.

Section 2.04. Exchange of Obligations. Obligations may be exchanged at the Office of the Trustee for a like aggregate principal amount of other authorized denominations of the same series and maturity. The Trustee shall not be required to exchange any Obligation during the period in which the Trustee is selecting Obligations for redemption and any Obligation that has been selected for redemption. The Trustee shall require the Obligation Owner requesting such exchange to pay any tax or other governmental charge that is required to be paid with respect to such exchange. Following any exchange of Obligations, the Trustee will cancel and destroy the Obligations that it has received.

Section 2.05. Registration Books. The Trustee will keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the Obligations, which shall upon reasonable notice and at reasonable times be open to inspection during regular business hours by the Authority, the District and the Owners; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the Obligations as hereinbefore provided.

The person in whose name any Obligation shall be registered shall be deemed the Owner thereof for all purposes hereof, and payment of or on account of the interest on and principal and Redemption Price of such Obligations shall be made only to or upon the order in writing of such registered Owner, which payments shall be valid and effectual to satisfy and discharge liability upon such Obligation to the extent of the sum or sums so paid.

Section 2.06. Form and Execution of Obligations. The Obligations shall be in substantially the form set forth in Exhibit A. The Obligations shall be executed in the name and on behalf of the Authority with the manual or facsimile signature of its Chair, attested by the manual or facsimile signature of its Secretary. The Obligations may carry a seal, and such seal may be in the form of a facsimile of the Authority's seal and may be reproduced, imprinted or impressed on the Obligations. The Obligations shall then be delivered to the Trustee for authentication by it. In case any of the officers who shall have signed or attested any of the Obligations shall cease to be such officer or officers of the Authority before the Obligations so signed or attested shall have been authenticated or delivered by the Trustee, or issued by the Authority, such Obligations may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Authority as though those who signed and attested the same had continued to be such officers of the Authority, and any Obligations may be signed and attested on behalf of the Authority by those persons who at the actual date of execution of such Obligations are the proper officers of the Authority although at the nominal date of such Obligations any such person shall not have been such officer of the Authority.

Only such of the Obligations as shall bear thereon a certificate of authentication substantially in the form set forth in Exhibit A, manually executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of the Indenture, and such certificate of or on behalf of the

Trustee shall be conclusive evidence that the Obligations so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of the Indenture.

Section 2.07. Obligations Mutilated, Lost, Destroyed or Stolen. If any Obligation shall become mutilated, the Authority, at the expense of the Owner of said Obligation, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Obligation of like tenor, series and authorized denomination in exchange and substitution for the Obligations so mutilated, but only upon surrender to the Trustee of the Obligation so mutilated. Every mutilated Obligation so surrendered to the Trustee shall be canceled by it and upon the written request of the Authority delivered to, or upon the order of, the Authority. If any Obligation shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given, the Authority, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Obligation of like tenor, series and authorized denomination in lieu of and in substitution for the Obligation so lost, destroyed or stolen (or if any such Obligation shall have matured or shall be about to mature, instead of issuing a substitute Obligation, the Trustee may pay the same without surrender thereof). The Authority may require payment by the Owner of a sum not exceeding the actual cost of preparing each new Obligation issued under this Section and of the expenses which may be incurred by the Authority and the Trustee in the premises. Any Obligation issued under the provisions of this Section in lieu of any Obligation alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Authority whether or not the Obligation so alleged to be lost, destroyed, or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of the Indenture with all other Obligations secured by the Indenture. Notwithstanding any other provision of this Section, in lieu of delivering a new Obligation for a Obligation which has been mutilated, lost, destroyed or stolen and which has matured or has been selected for redemption, the Trustee may, at the Authority's written direction, make payment of such Obligation upon receipt of indemnity satisfactory to the Trustee.

Section 2.08. Book-Entry System.

(a) Election of Book-Entry System. Prior to the issuance of the Obligations, the Authority may provide that such Obligations shall be initially issued as book-entry Obligations. If the Authority shall elect to deliver any Obligations in book-entry form, then the Authority shall cause the delivery of a separate single fully registered Obligation (which may be typewritten) for each maturity date of such Obligations in an authorized denomination corresponding to that total principal amount of the Obligations designated to mature on such date. Upon initial issuance, the ownership of each such Obligation shall be registered in the Obligation Registration Books in the name of the Nominee, as nominee of the Depository, and ownership of the Obligations, or any portion thereof may not thereafter be transferred except as provided in Section 2.08(e).

With respect to book-entry Obligations, the Authority and the Trustee shall have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds an interest in such book-entry Obligations. Without limiting the immediately preceding sentence, the Authority and the Trustee shall have no responsibility or obligation with respect to: (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in book-entry Obligations; (ii) the delivery to any Participant or any other person, other than an Owner as shown in the Obligation Registration Books, of any notice with respect to book-entry Obligations, including any notice of redemption; (iii) the selection by the Depository and its Participants of the beneficial interests in book-entry Obligations to be redeemed in the event that

the Authority redeems the Obligations in part; or (iv) the payment by the Depository or any Participant or any other person of any amount of principal of, premium, if any, or interest on book-entry Obligations. The Authority and the Trustee may treat and consider the person in whose name each book-entry Obligation is registered in the Obligation Registration Books as the absolute Owner of such book-entry Obligation for the purpose of payment of principal of, premium and interest on such Obligation, for the purpose of giving notices of redemption and other matters with respect to such Obligation, for the purpose of registering transfers with respect to such Obligation, and for all other purposes whatsoever. The Trustee shall pay all principal of, premium, if any, and interest on the Obligations only to or upon the order of the respective Owner, as shown in the Obligation Registration Books, or his respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to payment of principal of, premium, if any, and interest on the Obligations to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Obligation Registration Books, shall receive a Obligation evidencing the obligation to make payments of principal of, premium, if any, and interest on the Obligations. Upon delivery by the Depository to the Authority and the Trustee of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to Record Dates, the word Nominee in the Indenture shall refer to such nominee of the Depository.

(b) Delivery of Letter of Representations. In order to qualify the book-entry Obligations for the Depository's book-entry system, the Authority shall execute and deliver to the Depository a Letter of Representations. The execution and delivery of a Letter of Representations shall not in any way impose upon the Authority or the Trustee any obligation whatsoever with respect to persons having interests in such book-entry Obligations other than the Owners, as shown on the Registration Books. In addition to the execution and delivery of a Letter of Representations, the Authority shall take such other actions, not inconsistent with the Indenture, as are reasonably necessary to qualify book-entry Obligations for the Depository's book-entry program.

(c) Selection of Depository. In the event that: (i) the Depository determines not to continue to act as securities depository for book-entry Obligations; or (ii) the Authority determines that continuation of the book-entry system is not in the best interest of the beneficial owners of the Obligations or the Authority, then the Authority will discontinue the book-entry system with the Depository. If the Authority determines to replace the Depository with another qualified securities depository, the Authority shall prepare or direct the preparation of a new single, separate, fully registered Obligation for each of the maturity dates of such book-entry Obligations, registered in the name of such successor or substitute qualified securities depository or its Nominee as provided in subsection (e) hereof. If the Authority fails to identify another qualified securities depository to replace the Depository, then the Obligations shall no longer be restricted to being registered in such Obligation Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging such Obligations shall designate, in accordance with the provisions of Sections 2.03 and 2.04 hereof.

(d) Payments To Depository. Notwithstanding any other provision of the Indenture to the contrary, so long as all Outstanding Obligations are held in book-entry form and registered in the name of the Nominee, all payments of principal of, redemption premium, if any, and interest on such Obligations and all notices with respect to such Obligations shall be made and given, respectively to the Nominee, as provided in the Letter of Representations or as otherwise instructed by the Depository and agreed to by the Trustee notwithstanding any inconsistent provisions herein.

(e) Transfer of Obligations to Substitute Depository.

(i) The Obligations shall be initially issued as provided in Section 2.01 hereof. Registered ownership of such Obligations, or any portions thereof, may not thereafter be transferred except:

(A) to any successor of DTC or its nominee, or of any substitute depository designated pursuant to clause (B) of subsection (i) of this Section 2.08(e) (“**Substitute Depository**”); provided that any successor of DTC or Substitute Depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(B) to any Substitute Depository, upon: (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository; or (2) a determination by the Authority that DTC (or its successor) is no longer able to carry out its functions as depository; provided that any such Substitute Depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(C) to any person as provided below, upon: (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository; or (2) a determination by the Authority that DTC or its successor (or Substitute Depository or its successor) is no longer able to carry out its functions as depository.

(ii) In the case of any transfer pursuant to clause (A) or clause (B) of subsection (i) of this Section 2.08(e), upon receipt of all Outstanding Obligations by the Trustee, together with a written request of the Authority to the Trustee designating the Substitute Depository, a single new Obligation, which the Authority shall prepare or cause to be prepared, shall be issued for each maturity of Obligations then Outstanding, registered in the name of such successor or such Substitute Depository or their Nominees, as the case may be, all as specified in such written request of the Authority. In the case of any transfer pursuant to clause (C) of subsection (i) of this Section 2.08(e), upon receipt of all Outstanding Obligations by the Trustee, together with a written request of the Authority to the Trustee, new Obligations, which the Authority shall prepare or cause to be prepared, shall be issued in such denominations and registered in the names of such persons as are requested in such written request of the Authority, subject to the limitations of Section 2.01 hereof, provided that the Trustee shall not be required to deliver such new Obligations within a period of less than sixty (60) days from the date of receipt of such written request from the Authority.

(iii) In the case of a partial redemption or an advance refunding of any Obligations evidencing a portion of the principal maturing in a particular year, DTC or its successor (or any Substitute Depository or its successor) shall make an appropriate notation on such Obligations indicating the date and amounts of such reduction in principal, in form acceptable to the Trustee, all in accordance with the Letter of Representations. The Trustee shall not be liable for such Depository’s failure to make such notations or errors in making such notations and the records of the Trustee as to the outstanding principal amount of such Obligations shall be controlling.

(iv) The Authority and the Trustee shall be entitled to treat the person in whose name any Obligation is registered as the Owner thereof for all purposes of the Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the Authority; and the Authority and the Trustee shall not have responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the

Obligations. Neither the Authority nor the Trustee shall have any responsibility or obligation, legal or otherwise, to any such beneficial owners or to any other party, including DTC or its successor (or Substitute Depository or its successor), except to the Owner of any Obligations, and the Trustee may rely conclusively on its records as to the identity of the Owners of the Obligations.

ARTICLE III

ISSUANCE OF OBLIGATIONS; APPLICATION OF PROCEEDS

Section 3.01. Issuance of the Obligations. At any time after the execution of the Indenture, the Authority may execute and the Trustee shall authenticate and, upon written request of the Authority, deliver the 2023A Notes in the aggregate principal amount of \$_____ and the 2023B Bonds in the aggregate principal amount of \$_____.

Section 3.02. Application of Proceeds of the Obligations. The proceeds received from the sale of the Obligations shall be deposited in trust with the Trustee, who shall deposit such proceeds in a temporary account called the Proceeds Fund which the Trustee shall establish and maintain.

(a) Upon receipt of \$_____, the net proceeds of the 2023A Notes on the Closing Date, the Trustee shall forthwith set aside, pay over and deposit such proceeds on the Closing Date as follows:

(i) The Trustee shall pay \$_____ to the District for deposit in the Acquisition Fund;

(ii) The Trustee shall deposit the amount of \$_____ in the 2023A Notes Capitalized Interest Account; and

(iii) The Trustee shall deposit the amount of \$_____ in the Costs of Issuance Fund.

(b) Upon receipt of \$_____, the net proceeds of the 2023B Bonds on the Closing Date, the Trustee shall forthwith set aside, pay over and deposit such proceeds on the Closing Date as follows:

(i) The Trustee shall transfer \$_____ to the 2011 Certificates Trustee for deposit in the Prepayment Fund held under the 2011 Trust Agreement; and

(ii) The Trustee shall deposit the amount of \$_____ in the Costs of Issuance Fund.

(c) The Trustee may establish temporary funds or accounts in its records to facilitate and record the above transfer of proceeds.

Section 3.03. Establishment and Application of Costs of Issuance Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Costs of Issuance Fund." The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee to pay the Costs of Issuance upon submission of Requisitions of the Authority stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred, that such payment is a proper charge against said fund and that payment for such charge has not previously

been made. On the six month anniversary of the Closing Date, or upon the earlier written direction of the Authority, all amounts remaining in the Costs of Issuance Fund shall be deposited in the 2023A Interest Account and the 2023B Bonds Interest Account, and pro rata between the Interest Accounts, and the Costs of Issuance Fund shall be closed.

Section 3.04. Validity of Obligations. The validity of the authorization and issuance of the Obligations is not dependent on and shall not be affected in any way by any proceedings taken by the Authority, the District or the Trustee with respect to or in connection with the Installment Purchase Agreement. The recital contained in the Obligations that the same are issued pursuant to the Constitution and laws of the State shall be conclusive evidence of the validity and of compliance with the provisions of law in their issuance.

ARTICLE IV

REDEMPTION OF OBLIGATIONS

Section 4.01. Terms of Redemption.

(a) The 2023A Notes shall be subject to redemption prior to their stated maturity, as a whole or in part as directed by the Authority in a Request provided to the Trustee at least thirty-five (35) days (or such lesser number of days acceptable to the Trustee in the reasonable judgment of the Trustee, such notice for the convenience of the Trustee) and by lot within the maturity in integral multiples of \$5,000, on _____ 1, 202_ or any date thereafter at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

(b) The 2023B Bonds with stated maturities on and after _____ 1, 20__ shall be subject to redemption prior to their stated maturity, as a whole or in part as directed by the Authority in a Request provided to the Trustee at least thirty-five (35) days (or such lesser number of days acceptable to the Trustee in the reasonable judgment of the Trustee, such notice for the convenience of the Trustee) and by lot within the maturity in integral multiples of \$5,000, on _____ 1, 20__ or any date thereafter at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium

Section 4.02. Selection of Obligations for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the Obligations, the Trustee shall select the Obligations for redemption as a whole or in part on any date as directed by the Authority and by lot within each maturity in integral multiples of \$5,000 in accordance with Section 4.01 hereof. The Trustee will promptly notify the Authority in writing of the numbers of the Obligations or portions thereof so selected for redemption.

Section 4.03. Notice of Redemption. Notice of redemption shall be mailed by first class mail not less than twenty (20) days nor more than sixty (60) days before any Redemption Date, to the respective Owners of any Obligations that are designated for redemption at their addresses appearing on the Registration Books, to the Securities Depositories and the Information Services. Each notice of redemption shall state the date of notice, the redemption date, the place or places of redemption and the Redemption Price, and shall designate the maturities, CUSIP numbers, if any, and, in the case of Obligations to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on the redemption date there will become due and

payable on each of said Obligations or parts thereof that are designated for redemption the Redemption Price thereof or of said specified portion of the principal thereof in the case of a Obligation to be redeemed in part only, together with interest accrued thereon to the redemption date, and that (provided that moneys for redemption have been deposited with the Trustee) from and after such redemption date interest thereon shall cease to accrue, and shall require that such Obligations be then surrendered to the Trustee. Neither the failure to receive such notice nor any defect in the notice or the mailing thereof will affect the validity of the redemption of any Obligation. Notice of redemption of Obligations shall be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

With respect to any notice of optional redemption of Obligations, such notice may state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys that are sufficient to pay the principal of, premium, if any, and interest on such Obligations to be redeemed and that, if such moneys shall not have been so received, said notice shall be of no force and effect and the Trustee shall not be required to redeem such Obligations. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made, and the Trustee shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Section 4.04. Partial Redemption of Obligations. Upon surrender of any Obligation redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Obligation or Obligations of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Obligations surrendered and of the same series, interest rate and maturity.

Section 4.05. Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, the Obligations (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Obligations (or portions thereof) so called for redemption shall become due and payable, interest on the Obligations so called for redemption shall cease to accrue, said Obligations (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture, and the Owners of said Obligations shall have no rights in respect thereof except to receive payment of the redemption price thereof. The Trustee shall, upon surrender for payment of any of the Obligations to be redeemed on their Redemption Dates, pay such Obligations at the Redemption Price.

All Obligations redeemed pursuant to the provisions of this Article shall be canceled upon surrender thereof.

ARTICLE V

REVENUES, FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST

Section 5.01. Pledge and Assignment; Obligation Payment Fund.

(a) All of the Authority Revenues and any other amounts (including proceeds of the sale of the Obligations) held in any fund or account that is established pursuant to the Indenture

(except the Rebate Fund) are hereby irrevocably pledged to secure the payment of the principal of and interest, and the premium, if any, on the Obligations in accordance with their terms and the provisions of the Indenture. Said pledge shall constitute a lien on and security interest in such amounts and shall attach, be perfected and be valid and binding from and after the Closing Date, without any physical delivery thereof or further act and shall be valid and binding against all parties having claims of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice hereof.

(b) The Authority, for good and valuable consideration in hand received, does hereby irrevocably assign and transfer to the Trustee without recourse, for the benefit of the Owners of the Obligations as set forth herein, all of its rights, title, and interest in all Series 2023 Installment Payments payable by the District pursuant to the Installment Purchase Agreement, including all rights of the Authority thereunder as may be necessary to enforce compliance with said provisions (including enforcement of payment obligations and rate covenants, if any, contained in the Installment Purchase Agreement, or otherwise to protect the interest of the Owners of the Obligations). Such assignment shall be subject to and limited by the terms of the Indenture.

(c) There is hereby established with the Trustee the Obligation Payment Fund, which the Trustee covenants to maintain and hold in trust separate and apart from other funds held by it so long as any Series 2023 Installment Payments remain unpaid. Except as directed in Sections 5.06 and 5.09, all Authority Revenues shall be promptly deposited by the Trustee upon receipt thereof into the Obligation Payment Fund; except that all moneys received by the Trustee and required hereunder to be deposited in the Redemption Fund shall be promptly deposited therein and all moneys received by the Trustee pursuant to Section 6.19 of the Installment Purchase Agreement and required to be deposited into the 2023A Notes Principal Account shall be immediately deposited into the 2023A Notes Principal Account. All Authority Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture. The Trustee shall also create and maintain a 2023A Notes Interest Account, a 2023A Notes Principal Account, a 2023B Bonds Interest Account and a 2023B Bonds Principal Account within the Obligation Payment Fund.

Section 5.02. Allocation of Authority Revenues. The Trustee shall transfer from the Obligation Payment Fund and deposit into the following respective accounts the following amounts in the following order of priority and at the following times, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Authority Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(a) Not later than the day preceding each date on which the interest on the Obligations shall become due and payable hereunder, the Trustee shall deposit in the Interest Accounts that sum, if any, required to cause the aggregate amount on deposit in the Interest Accounts to be at least equal to the amount of interest becoming due and payable on such date on all Obligations then Outstanding.

(b) Not later than the day preceding each date on which the principal of the Obligations shall become due and payable hereunder, the Trustee shall deposit in the Principal Accounts that sum, if any, required to cause the aggregate amount on deposit in the Principal Accounts to equal the principal amount of the Obligations coming due and payable on such date.

Section 5.03. Application of Interest Accounts. All amounts in the 2023A Notes Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the 2023A Notes as it shall become due and payable (including accrued interest on any 2023A Notes purchased or accelerated prior to maturity pursuant to the Indenture) and all amounts in the 2023B Bonds Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the 2023B Bonds as it shall become due and payable (including accrued interest on any 2023B Bonds purchased or accelerated prior to maturity pursuant to the Indenture).

Section 5.04. Application of Principal Accounts. All amounts in the 2023A Notes Principal Account shall be used and withdrawn by the Trustee solely to pay the principal amount of the 2023A Notes at maturity, purchase or acceleration and all amounts in the 2023B Bonds Principal Account shall be used and withdrawn by the Trustee solely to pay the principal amount of the 2023B Bonds at maturity, purchase or acceleration; provided, however, that at any time prior to selection for redemption of any such Obligations, upon written direction of the Authority, the Trustee shall apply such amounts to the purchase of Obligations at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the 2023A Notes Interest Account and the 2023B Bonds Interest Account, as applicable) as shall be directed pursuant to a Request of the Authority, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the Obligations.

Section 5.05. Application of Redemption Fund. There is hereby established with the Trustee, when needed, a special fund designated as the “Redemption Fund.” All amounts in the Redemption Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of and accrued interest on the Obligations to be redeemed on any Redemption Date pursuant to Section 4.01; provided, however, that at any time prior to selection for redemption of any such Obligations, upon written direction of the Authority, the Trustee shall apply such amounts to the purchase of Obligations at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the 2023A Notes Interest Account and the 2023B Bonds Interest Account, as applicable) as shall be directed pursuant to a Request of the Authority, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the Obligations.

Section 5.06. Investments. All moneys in any of the funds or accounts that are established with the Trustee pursuant to the Indenture shall be invested by the Trustee solely in Permitted Investments, which will, as nearly as practicable, mature on or before the dates when such moneys are anticipated to be needed for disbursement. Such investments shall be directed by the Authority pursuant to a Request of the Authority filed with the Trustee at least two (2) Business Days in advance of the making of such investments (which directions shall be promptly confirmed to the Trustee in writing). In the absence of any such directions from the Authority, the Trustee shall hold such moneys uninvested. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account.

All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder (except for interest or gain derived from the Permitted Investment described in clause (C)(8) of the definition thereof, which shall be retained in such Permitted Investment) shall be deposited in the 2023A Notes Interest Account or the 2023B Bonds Interest Account, as applicable, unless otherwise provided in the Indenture. For purposes of acquiring any investments hereunder, the Trustee may commingle funds (other than the Rebate Fund) held by it hereunder upon the Request of the Authority. The Trustee may act as principal or agent in the acquisition or disposition

of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses, fees, taxes or other charges arising from any investments, reinvestments and liquidation of investments made pursuant to this Section 5.06.

The Trustee shall furnish the Authority with periodic cash transaction statements which include detail for all investment transactions that are effected by the Trustee or brokers that are selected by the Authority. Upon the Authority's election, such statements will be delivered via the Trustee's online service and upon electing such service, paper statements will be provided only upon request. The Authority waives the right to receive brokerage confirmations of security transactions that are effected by the Trustee as they occur, to the extent permitted by law. The Authority further understands that trade confirmations for securities transactions that are effected by the Trustee will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker.

The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee under the Indenture.

The Authority shall invest, or cause to be invested, all moneys in any fund or accounts established with the Trustee as provided in the Tax Certificate.

For investment purposes, the Trustee may commingle the funds and accounts that are established hereunder, other than the Rebate Fund, but shall account for each separately. In making any valuations of investments hereunder, the Trustee may utilize and rely on computerized securities pricing services that may be available to the Trustee, including those that are available through the Trustee's accounting system.

Section 5.07. Rebate Fund.

(a) Establishment. The Trustee shall establish for the Obligations a separate fund designated the "Rebate Fund" when required in accordance herewith. Absent an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest with respect to the Obligations will not be adversely affected, the Authority shall cause to be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to this Section and the Tax Certificate. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust for payment to the United States Treasury. All amounts on deposit in the Rebate Fund for the Obligations shall be governed by this Section and the Tax Certificate for the Obligations, unless and to the extent that the Authority delivers to the Trustee an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest with respect to the Obligations will not be adversely affected, if such requirements are not satisfied. Notwithstanding anything to the contrary herein or in the Tax Certificate, the Trustee: (i) shall be deemed conclusively to have complied with the provisions thereof if it follows all Requests of the Authority; (ii) shall have no liability or responsibility to enforce compliance by the Authority with the terms of the Tax Certificate; (iii) may rely conclusively on the Authority's calculations and determinations and certifications relating to rebate matters; and (iv) shall have no responsibility to independently make any calculations or determinations or to review the Authority's calculations or determinations thereunder.

(i) Annual Computation. Within fifty-five (55) days of the end of each Obligation Year (as such term is defined in the Tax Certificate), the Authority shall calculate or cause

to be calculated the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Treasury Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage, described, if applicable, in the Tax Certificate (e.g., the temporary investments exceptions of Section 148(f)(4)(B) and the construction expenditures exception of Section 148(f)(4)(C) of the Code), and taking into account whether the election pursuant to Section 148(f)(4)(C)(vii) of the Code (the “**1½% Penalty**”) has been made), for this purpose treating the last day of the applicable Obligation Year as a computation date, within the meaning of Section 1.148-1(b) of the Treasury Regulations (the “**Rebatable Arbitrage**”). The Authority shall obtain expert advice as to the amount of the Rebatable Arbitrage to comply with this Section.

(ii) Annual Transfer. Within fifty-five (55) days of the end of each Obligation Year, upon the written request of the Authority, an amount shall be deposited to the Rebate Fund by the Trustee from any Authority Revenues legally available for such purpose (as specified by the Authority in the aforesaid written request), if and to the extent required so that the balance in the Rebate Fund shall equal the amount of Rebatable Arbitrage so calculated in accordance with clause (i) of this subsection (a). In the event that immediately following the transfer required by the previous sentence, the amount then on deposit to the credit of the Rebate Fund exceeds the amount required to be on deposit therein, upon written request of the Authority, the Trustee shall withdraw the excess from the Rebate Fund and then credit the excess to the Obligation Payment Fund.

(iii) Payment to the Treasury. The Trustee shall pay, as directed by Request of the Authority, to the United States Treasury, out of amounts in the Rebate Fund:

(A) Not later than sixty (60) days after the end of: (X) the fifth Obligation Year; and (Y) each applicable fifth Obligation Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Obligation Year; and

(B) Not later than sixty (60) days after the payment of all the Obligations, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Obligation Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the Code and Section 1.148-3 of the Treasury Regulations.

In the event that, prior to the time of any payment required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the Authority shall calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source equal to such deficiency prior to the time such payment is due. Each payment required to be made pursuant to this subsection (a) shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T (prepared by the Authority), or shall be made in such other manner as provided under the Code.

(b) Disposition of Unexpended Funds. Any funds remaining in the Rebate Fund after redemption and payment of the Obligations and the payments described in subsection (a) above being made may be withdrawn by the Authority and utilized in any manner by the Authority.

(c) Survival of Defeasance. Notwithstanding anything in this Section to the contrary, the obligation to comply with the requirements of this Section shall survive the defeasance or payment in full of the Obligations.

Section 5.08. Application of Funds and Accounts When No Obligations are Outstanding. On the date on which all Obligations shall be retired hereunder or provision made therefor pursuant to Article X and after payment of all amounts due the Trustee hereunder, all moneys then on deposit in any of the funds or accounts (other than the Rebate Fund) established with the Trustee pursuant to the Indenture shall be withdrawn by the Trustee and paid to the Authority for distribution in accordance with the Installment Purchase Agreement.

Section 5.09. 2023A Notes Capitalized Interest Account. The Trustee shall establish and maintain, a 2023A Notes Capitalized Interest Account into which the Trustee shall deposit the portion of the proceeds of the 2023A Notes set forth in Section 3.02(a). On December 1, 2023 and on each Interest Payment Date thereafter until all amounts therein have been expended, the Trustee shall transfer from the 2023A Notes Capitalized Interest Account and deposit in the 2023A Notes Interest Account the amount of interest due on the 2023A Notes on such Interest Payment Date.

ARTICLE VI

PARTICULAR COVENANTS

Section 6.01. Punctual Payment. The Authority shall punctually pay or cause to be paid the principal and interest to become due in respect of the Obligations, in strict conformity with the terms of the Obligations and of the Indenture, according to the true intent and meaning thereof, but only out of Authority Revenues and other assets pledged for such payment as provided in the Indenture.

Section 6.02. Extension of Payment of Obligations. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Obligations or the time of payment of any claims for interest by the purchase of such Obligations or by any other arrangement, and in case the maturity of any of the Obligations or the time of payment of any such claims for interest shall be extended, such Obligations or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of the Indenture, except subject to the prior payment in full for the principal of all of the Obligations then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the Authority to issue Obligations for the purpose of refunding any Outstanding Obligations, and such issuance shall not be deemed to constitute an extension of maturity of Obligations.

Section 6.03. Against Encumbrances. The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrances upon the Authority Revenues and other assets pledged or assigned under the Indenture while any of the Obligations are Outstanding, except the pledge and assignment created by the Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the JPA Agreement, and reserves the right to issue other obligations for such purposes.

Section 6.04. Power to Issue Obligations and Make Pledge and Assignment. The Authority is duly authorized pursuant to Law to issue the Obligations and to enter into the Indenture and to pledge and assign the Authority Revenues and other assets that are pledged and assigned under the

Indenture in the manner and to the extent that is provided in the Indenture. The Obligations and the provisions of the Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee shall at all times, subject to the provisions of Article VIII and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Authority Revenues and other assets and all the rights of the Obligation Owners under the Indenture against all claims and demands of all persons whomsoever.

Section 6.05. Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions that are undertaken by it relating to the proceeds of Obligations, the Authority Revenues and all funds and accounts that have been established by it pursuant to the Indenture. Such books of record and account shall be available for inspection by the Authority and the District upon reasonable prior notice during business hours and under reasonable circumstances.

Section 6.06. Tax Covenants. Notwithstanding any other provision of the Indenture or the Installment Purchase Agreement, absent an opinion of Bond Counsel that the exclusion from gross income of the interest on the Obligations will not be adversely affected for federal income tax purposes, the Authority covenants to comply with all applicable requirements of the Code that are necessary to preserve such exclusion from gross income with respect to the Obligations and specifically covenants, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The Authority will take no action or refrain from taking any action, and the Authority will make no use of the proceeds of the Obligations or of any other moneys or property, which would cause the Obligations to be “private activity bonds” within the meaning of Section 141 of the Code;

(b) Arbitrage. The Authority will make no use of the proceeds of the Obligations or of any other amounts or property, regardless of the source, and the Authority will not take any action or refrain from taking any action, which will cause the Obligations to be “arbitrage bonds” within the meaning of Section 148 of the Code;

(c) Federal Guarantee. The Authority will make no use of the proceeds of the Obligations, and the Authority will not take or omit to take any action, that would cause the Obligations to be “federally guaranteed” within the meaning of Section 149(b) of the Code;

(d) Information Reporting. The Authority will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code which is necessary to preserve the exclusion of interest on the Obligations pursuant to Section 103(a) of the Code;

(e) Hedge Obligations. The Authority will make no use of the proceeds of the Obligations or any other amounts or property, regardless of the source, and the Authority will not take any action or refrain from taking any action, that would cause the Obligations to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the Authority takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest on the Obligations for federal income tax purposes; and

(f) Miscellaneous. The Authority will not take any action or refrain from taking any action which is inconsistent with its expectations stated in the Tax Certificate executed by the Authority in connection with the issuance of the Obligations and will comply with the covenants and requirements that are stated therein and incorporated by reference herein.

This Section and the covenants that are set forth herein shall not be applicable to, and nothing that is contained herein shall be deemed to prevent the Authority from issuing Interim Obligations or executing and delivering contracts that are payable on a parity with the Obligations, the interest with respect to which has been determined to be subject to federal income taxation.

Section 6.07. Payments Under Installment Purchase Agreement. The Authority shall promptly collect all Series 2023 Installment Payments due from the District pursuant to the Installment Purchase Agreement and, subject to the provisions of Article VIII, shall enforce and take all steps, actions and proceedings which the Authority or the Trustee determines to be reasonably necessary for the enforcement of all of the obligations of the District thereunder.

The Authority shall not enter into any amendments to the Installment Purchase Agreement except as permitted therein. The Trustee shall give written consent only if: (a) such amendment, modification or termination will not materially adversely affect the interests of the Obligation Owners; or (b) the Trustee first obtains the written consent of the Owners of a majority in aggregate principal amount of the Obligations then Outstanding to such amendment, modification or termination.

Section 6.08. Waiver of Laws. The Authority shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in the Indenture or in the Obligations, and all benefit or advantage of any such law or laws is hereby expressly waived by the Authority to the extent permitted by law.

Section 6.09. Further Assurances. The Authority will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Owners of the Obligations of the rights and benefits provided in the Indenture.

Section 6.10. Eminent Domain. If all or any part of the 2023 Project or the 2011 Project shall be taken by eminent domain proceedings (or sold to a government entity that is threatening to exercise the power of eminent domain), the Net Proceeds therefrom shall be applied in the manner that is specified in Section 6.16 of the Installment Purchase Agreement.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF OBLIGATION OWNERS

Section 7.01. Events of Default. The following events shall be Events of Default hereunder:

(a) Default by the Authority in the due and punctual payment of the principal of any Obligations when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.

(b) Default by the Authority in the due and punctual payment of any installment of interest on any Obligations when and as the same shall become due and payable.

(c) Default by the Authority in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the Obligations contained, if such default shall have continued for a period of sixty (60) days after written notice thereof specifying such default and requiring the same to be remedied shall have been given to the Authority by the Trustee or by the Owners of not less than a majority in aggregate principal amount of Obligations Outstanding; provided, however, that if in the reasonable opinion of the Authority the default stated in the notice can be corrected, but not within such sixty (60) day period, and corrective action is instituted by the Authority within such sixty (60) day period and diligently pursued in good faith until the default is corrected, such default shall not be an Event of Default hereunder.

(d) The Authority shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or a court of competent jurisdiction shall approve a petition filed with or without the consent of the Authority seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial part of its property.

Section 7.02. Remedies Upon Event of Default. If any Event of Default shall occur, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and, at the written direction of the Owners of not less than a majority in aggregate principal amount of the Obligations at the time Outstanding, shall, in each case, upon notice in writing to the Authority and the District, declare the principal of all of the Obligations then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Indenture or in the Obligations contained to the contrary notwithstanding.

Nothing contained in the Indenture shall permit or require the Trustee or the Authority to accelerate payments due under the Installment Purchase Agreement if the District, which is a party to such Installment Purchase Agreement, is not in default of its obligation thereunder.

Any such declaration is subject to the condition that if, at any time after such declaration, but before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Authority or the District shall deposit with the Trustee an amount that is sufficient to pay all the principal of and installments of interest on the Obligations the payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Obligations to the extent permitted by law, and the reasonable charges and expenses of the Trustee, and any and all other Events of Default known to the Trustee (other than in the payment of principal of and interest on the Obligations that is due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case the Trustee shall on behalf of the Owners of all of the Obligations, rescind and annul such declaration and its consequences and waive such Event of Default; but no such rescission and annulment shall extend to or affect any subsequent Event of Default or impair or exhaust any right or power consequent thereon.

Section 7.03. Application of Authority Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, all Authority Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture (other than amounts held in the Rebate Fund) shall be applied by the Trustee as follows and in the following order:

(a) To the payment of any expenses that are necessary in the opinion of the Trustee to protect the interests of the Owners of the Obligations and to the payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture; and

(b) To the payment of the principal of and interest then due on the Obligations (upon presentation of the Obligations to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid) in accordance with the provisions of the Indenture, in the following order of priority:

First: To the payment to the persons that are entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount that is available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any Obligations which shall have become due, whether at maturity or by acceleration or redemption, with interest on the overdue principal at the rate of five percent (5%) per annum, and, if the amount that is available shall not be sufficient to pay in full all the Obligations, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference; and

Third: If there shall exist any remainder after the foregoing payments, such remainder shall be paid to the Authority.

Section 7.04. Trustee to Represent Obligation Owners. The Trustee is hereby irrevocably appointed (and the successive respective Owners of the Obligations, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney in fact of the Owners of the Obligations for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Obligations or the Indenture and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Obligation Owners, the Trustee in its reasonable judgment may, and upon the written request of the Owners of a majority in aggregate principal amount of the Obligations then Outstanding, and upon being indemnified to its satisfaction therefor, shall proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the Obligations or the Indenture or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Authority Revenues and other assets pledged under the Indenture, pending such proceedings. All rights of action under the Indenture or the Obligations or otherwise may be

prosecuted and enforced by the Trustee without the possession of any of the Obligations or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such Obligations, subject to the provisions of the Indenture.

Section 7.05. Obligation Owners' Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Obligations then Outstanding shall have the right, by an instrument or concurrent instruments in writing that are executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction to direct the method of conduct in all remedial proceedings taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Obligation Owners who are not parties to such direction.

Section 7.06. Suit by Owners. No Owner of any Obligations shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Installment Purchase Agreement, the JPA Agreement or any other applicable law with respect to such Obligations, unless: (a) such Owners shall have given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Obligations then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners shall have tendered to the Trustee reasonable indemnity against the costs, claims, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have failed to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (e) no direction which is inconsistent with such written request shall have been given to the Trustee during such sixty (60) day period by the Owners of a majority in aggregate principal amount of the Obligations then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Obligations of any remedy hereunder or under law; it being understood and intended that no one or more Owners of Obligations shall have any right in any manner whatever by their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners of Obligations (it being understood that the Trustee does not have an affirmative duty to ascertain whether or not such actions or forbearances are unduly prejudicial to such Owners), or to enforce any right under the Obligations, the Indenture, the Installment Purchase Agreement, the JPA Agreement or other applicable law with respect to the Obligations, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding Obligations, subject to the provisions of the Indenture.

Section 7.07. Absolute Obligation of the Authority. Nothing in this Section or in any other provision of the Indenture or in the Obligations shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the principal of and interest on the Obligations to the respective Owners of the Obligations at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of the Authority Revenues and other assets herein

pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Obligations.

Section 7.08. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Owners of the Obligations is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

Section 7.09. No Waiver of Default. No delay or omission of the Trustee or of any Owner of the Obligations to exercise any right or power arising upon the occurrence of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein.

ARTICLE VIII

THE TRUSTEE

Section 8.01. Duties, Immunities and Liabilities of Trustee.

(a) The Trustee shall, prior to an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in the Indenture, and no implied covenants or duties shall be read into the Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured), exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(b) The Authority may remove the Trustee at any time, unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Obligations then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with subsection (e) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee. The Authority shall promptly appoint a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving written notice of such resignation to the Authority and by giving the Obligation Owners notice of such resignation by mail at the addresses shown on the Registration Books. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within forty-five (45) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any

Obligation Owner (on behalf of himself and all other Obligation Owners) may, at the Authority's expense, petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee that is appointed under the Indenture shall signify its acceptance of such appointment by executing and delivering to the Authority and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the Request of the Authority or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all of the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property that is subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Authority shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Authority shall mail or cause the successor trustee to mail a notice of the succession of such Trustee to the trusts hereunder to the Rating Agency and to the Obligation Owners at the addresses shown on the Registration Books. If the Authority fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Authority.

(e) Any Trustee that is appointed under the provisions of this Section in succession to the Trustee shall be a trust company, banking association or bank having the powers of a trust company, having a combined capital and surplus of at least Fifty Million Dollars (\$50,000,000), and subject to supervision or examination for federal or state authority. If such bank, banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority that is referred to above, then for the purpose of this subsection, the combined capital and surplus of such trust company, banking association or bank shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign promptly in the manner and with the effect specified in this Section.

Section 8.02. Merger or Consolidation. Any trust company, banking association or bank into which the Trustee may be merged or converted or with which it may be consolidated, any trust company, banking association or bank resulting from any merger, conversion or consolidation to which it shall be a party or any trust company, banking association or bank to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such trust company, banking association or bank shall be eligible under Section 8.01(e), shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Section 8.03. Liability of Trustee.

(a) The recitals of facts herein and in the Obligations shall be taken as statements of the Authority, and the Trustee shall not assume responsibility for the correctness of the same, or

make any representations as to the validity or sufficiency of the Indenture, the Obligations or the Installment Purchase Agreement, nor shall the Trustee incur any responsibility in respect thereof, other than as expressly stated herein in connection with the respective duties or obligations herein or in the Obligations assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Obligations. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee may become the Owner of Obligations with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Obligation Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Obligations then Outstanding.

(b) The Trustee shall not be liable for any error of judgment that is made in good faith by a responsible officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority (or such other percentage provided for herein) in aggregate principal amount of the Obligations at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture.

(d) The Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the rights or powers conferred upon it by the Indenture.

(e) The Trustee shall not be deemed to have knowledge of any default or Event of Default hereunder or under the Installment Purchase Agreement or any other event which, with the passage of time, the giving of notice, or both, would constitute an Event of Default hereunder or under the Installment Purchase Agreement unless and until a Responsible Officer of the Trustee shall have actual knowledge of such event or the Trustee shall have been notified in writing, in accordance with Section 11.07, of such event by the Authority or the Owners of not less than twenty-five percent (25%) of the Obligations then Outstanding. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance by the Authority or the District of any of the terms, conditions, covenants or agreements herein, or under the Installment Purchase Agreement, of any of the documents executed in connection with the Obligations or as to the existence of an Event of Default thereunder or an event which would, with the giving of notice, the passage of time, or both, constitute an Event of Default thereunder. The Trustee shall not be responsible for the validity, effectiveness or priority of any collateral that is given to or held by it.

(f) No provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties hereunder, or in the exercise of any of its rights or powers.

(g) The Trustee shall be under no obligation to exercise any of the rights or powers that are vested in it by the Indenture at the request or direction of Owners pursuant to the Indenture unless such Owners shall have offered to the Trustee reasonable indemnity satisfactory to it against the costs, claims, expenses and liabilities which might be incurred by it in compliance with

such request or direction. No permissive power, right or remedy that is conferred upon the Trustee hereunder shall be construed to impose a duty to exercise such power, right or remedy.

(h) Whether or not herein expressly so provided, every provision of the Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article VIII.

(i) The Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Obligations.

(j) The immunities that are extended to the Trustee also extend to its directors, officers, employees and agents.

(k) The Trustee may execute any of the trusts or powers of the Indenture and perform any of its duties through attorneys, agents and receivers and shall not be answerable for the conduct of the same if appointed by it with reasonable care.

(l) The Trustee shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of enforced delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosions, mob violence, riots, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the 2023 Project or the 2011 Project, malicious mischief, condemnation and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

(m) The Trustee agrees to accept and act upon instructions or directions pursuant to the Indenture sent by unsecured electronic mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, for purposes of the Indenture, an electronic mail message does not constitute a notice, request or other communication hereunder but rather the portable document format or similar attachment attached to such electronic mail message shall constitute a notice, request or other communication hereunder; and provided further that the Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the Authority elects to give the Trustee electronic mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its reasonable judgment elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs, claims or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding the fact that such instructions conflict or are inconsistent with a subsequent written instruction. The Authority agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

(n) The Trustee shall not be concerned with or accountable to anyone for the subsequent use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof.

(o) The permissive right of the Trustee to do things enumerated herein shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct.

(p) In no event shall the Trustee be responsible or liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

Section 8.04. Right to Rely on Documents. The Trustee shall be protected in acting upon any notice, resolution, requisition, request, consent, order, certificate, report, opinion, notes, direction, facsimile transmission, electronic mail or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel of its selection with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Authority, personally or by agent or attorney at the sole cost of the Authority and shall incur no liability or additional liability of any kind by reason of such inquiry or investigation.

The Trustee may treat the Owners of the Obligations appearing in the Trustee's Registration Books as the absolute owners of the Obligations for all purposes and the Trustee shall not be affected by any notice to the contrary.

Whenever in the administration of the trusts imposed upon it by the Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof is specifically prescribed herein) may be deemed to be conclusively proved and established by a Certificate, Request or Requisition of the Authority, and such Certificate, Request or Requisition shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of the Indenture in reliance upon such Certificate, Request or Requisition, but in its reasonable judgment the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

Section 8.05. Preservation and Inspection of Documents. All documents that are received by the Trustee under the provisions of the Indenture shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Authority, the District and any Obligation Owner, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

Section 8.06. Compensation and Indemnification. The Authority shall pay to the Trustee from time to time compensation previously agreed upon in writing for all services that are rendered under the Indenture, and also all reasonable expenses, charges, legal and consulting fees and other disbursements and those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under the Indenture.

The Authority shall indemnify, defend and hold harmless the Trustee, its officers, employees, directors and agents from and against any loss, costs, claims, liability or expense (including fees and expenses of its attorneys and advisors) incurred without negligence or willful misconduct on its part, arising out of or in connection with the execution of the Indenture, acceptance or administration of this trust, including costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers hereunder. The rights of the Trustee and the obligations of the Authority under this Section 8.06 shall survive removal or resignation of the Trustee hereunder or the discharge of the Obligations and the Indenture.

ARTICLE IX

MODIFICATION OR AMENDMENT OF THE INDENTURE

Section 9.01. Amendments Permitted.

(a) The Indenture and the rights and obligations of the Authority, the Owners of the Obligations and the Trustee may be modified or amended from time to time and at any time by a written indenture or indentures supplemental thereto, which the Authority and the Trustee may enter into when the written consent of the Owners of a majority in aggregate principal amount of all Obligations then Outstanding, exclusive of Obligations that are disqualified as provided in Section 11.09, has been filed with the Trustee. No such modification or amendment may: (1) extend the fixed maturity of any Obligations, or reduce the amount of principal thereof or premium (if any) thereon, or extend the time of payment, or change the rate of interest or the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each Obligation so affected; or (2) reduce the aforesaid percentage of Obligations the consent of the Owners of which is required to affect any such modification or amendment, or permit the creation of any lien on the Authority Revenues and other assets pledged under the Indenture prior to or on a parity with the lien that is created by the Indenture except as permitted herein, or deprive the Owners of the Obligations of the lien created by the Indenture on such Authority Revenues and other assets except as permitted herein, without the consent of the Owners of all of the Obligations then Outstanding. It shall not be necessary for the consent of the Obligation Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the Authority and the Trustee of any Supplemental Indenture pursuant to this subsection (a), the Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Indenture, to each Rating Agency and the Owners of the Obligations at the respective addresses shown on the Registration Books. Notice of proposed execution shall be prepared by the Authority. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

(b) The Indenture and the rights and obligations of the Authority, the Trustee and the Owners of the Obligations may also be modified or amended from time to time and at any time by a written Supplemental Indenture, which the Authority and the Trustee may enter into without the

consent of any Obligation Owners, provided that the Trustee receives an opinion of Bond Counsel to the effect that the provisions of such Supplemental Indenture shall not materially adversely affect the interests of the Owners of the Outstanding Obligations, including, without limitation, for any one or more of the following purposes:

(1) to add to the covenants and agreements of the Authority contained in the Indenture other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Obligations (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the Authority;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the Authority may deem necessary or desirable;

(3) to modify, amend or supplement the Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereunder in effect, and to add such other terms conditions and provisions as may be permitted by said act or similar federal statute; and

(4) to modify, amend or supplement the Indenture in such manner as to cause interest on the Obligations to remain excludable from gross income for federal income tax purposes under the Code or the exemption of such interest from State personal income taxes.

(c) The Trustee may in its reasonable judgment, but shall not be obligated to, enter into any such Supplemental Indenture that is authorized by subsections (a) or (b) of this Section which materially adversely affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

(d) Prior to the Trustee entering into any Supplemental Indenture hereunder, there shall be delivered to the Trustee an opinion of Bond Counsel stating, in substance, that such Supplemental Indenture has been adopted in compliance with the requirements of the Indenture and that the adoption of such Supplemental Indenture will not, in and of itself, adversely affect the exclusion of interest on the Obligations from federal income taxation and from state income taxation with respect to the Obligations.

Section 9.02. Effect of Supplemental Indenture. Upon the execution of any Supplemental Indenture pursuant to this Article, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Authority, the Trustee and all Owners of Obligations Outstanding shall thereafter be determined, exercised and enforced thereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Section 9.03. Endorsement of Obligations; Preparation of New Obligations. Obligations delivered after the execution of any Supplemental Indenture pursuant to this Article may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the Authority and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand on the Owner of any Obligations Outstanding at the time

of such execution and presentation of his or her Obligations for the purpose at the Office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation shall be made on such Obligations. If the Supplemental Indenture shall so provide, new Obligations so modified as to conform, in the opinion of the Authority and the Trustee, to any modification or amendment that is contained in such Supplemental Indenture, shall be prepared and executed by the Authority and authenticated by the Trustee, and upon demand on the Owners of any Obligations then Outstanding shall be exchanged at the Office of the Trustee, without cost to any Obligation Owner, for Obligations then Outstanding, upon surrender for cancellation of such Obligations, in equal aggregate principal amount of the same maturity.

Section 9.04. Amendment of Particular Obligations. The provisions of this Article shall not prevent any Obligation Owner from accepting any amendment as to the particular Obligations held by such Obligation Owner.

ARTICLE X

DEFEASANCE

Section 10.01. Discharge of Indenture. The Obligations may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable hereunder by the Authority:

- (a) by paying or causing to be paid the principal of and interest and redemption premiums (if any) on the Obligations, as and when the same become due and payable;
- (b) by depositing with the Trustee, in trust, at or before maturity, money or Federal Securities in the necessary amount (as provided in Section 10.03) to pay or redeem all Obligations then Outstanding; or
- (c) by delivering to the Trustee, for cancellation by it, all of the Obligations then Outstanding.

If the Authority shall also pay or cause to be paid all other sums that are payable hereunder by the Authority, then and in that case, at the election of the Authority (as evidenced by a Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and the Indenture), and notwithstanding that any Obligations shall not have been surrendered for payment, the Indenture and the pledge of Authority Revenues and other assets under the Indenture and all covenants, agreements and other obligations of the Authority under the Indenture shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon the Request of the Authority, the Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver all moneys or securities or other property held by it pursuant to the Indenture which are not required for the payment or redemption of Obligations not theretofore surrendered for such payment or redemption to the Authority.

Section 10.02. Discharge of Liability on Obligations. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem any Outstanding Obligations (whether upon or prior to the maturity or the redemption date of such Obligations), provided that, if such Outstanding Obligations are to be

redeemed prior to maturity, notice of such redemption shall have been given as provided in Article IV or provisions satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Authority in respect of such Obligations shall cease, terminate and be completely discharged, and the Owners thereof shall thereafter be entitled only to payment out of such money or securities that are deposited with the Trustee as aforesaid for their payment, subject however, to the provisions of Section 10.04.

The Authority may at any time surrender to the Trustee for cancellation by it any Obligations that were previously issued and delivered, which the Authority may have acquired in any manner whatsoever, and such Obligations, upon such surrender and cancellation, shall be deemed to be paid and retired.

Section 10.03. Deposit of Money or Securities with Trustee. Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Obligations, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and shall be:

(a) lawful money of the United States of America in an amount that is equal to the principal amount of such Obligations and all unpaid interest thereon to maturity, except that, in the case of Obligations which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in Article IV or provisions satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount of such Obligations and all unpaid interest and premium, if any, thereon to the redemption date; or

(b) Federal Securities the principal of and interest on which when due will, in the written opinion of an Independent Certified Public Accountant filed with the Authority and the Trustee, provide money in an amount that is sufficient to pay the principal of and all unpaid interest to maturity, or to the redemption date (with premium, if any), as the case may be, on the Obligations to be paid or redeemed, as such principal, interest and premium, if any, become due, provided that in the case of Obligations which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice;

provided, in each case, that: (i) the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by Request of the Authority) to apply such money to the payment of such principal, interest and premium, if any, with respect to such Obligations; and (ii) the Authority shall have delivered to the Trustee an opinion of Bond Counsel addressed to the Authority and the Trustee to the effect that such Obligations have been discharged in accordance with the Indenture (which opinion may rely upon and assume the accuracy of the Independent Certified Public Accountant's opinion referred to above).

Section 10.04. Payment of Obligations After Discharge of Indenture. Notwithstanding any provisions of the Indenture, any moneys which are held by the Trustee in trust for the payment of the principal of, or interest on, any Obligations and which remain unclaimed for two (2) years after the principal of all of the Obligations has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in the Indenture), if such moneys were so held at such date, or two (2) years after the date of deposit of such moneys if deposited after said date when all of

the Obligations became due and payable, shall be repaid to the Authority free from the trusts created by the Indenture upon receipt of an indemnification agreement that is acceptable to the Authority and the Trustee indemnifying the Trustee with respect to claims of Owners of Obligations which have not yet been paid, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Authority as aforesaid, the Trustee shall at the written direction of the Authority (at the cost of the Authority) first mail to the Owners of Obligations which have not yet been paid, at the addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Obligations so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Liability of Authority Limited to Authority Revenues. Notwithstanding anything in the Indenture or the Obligations, the Authority shall not be required to advance any moneys derived from any source other than the Authority Revenues and other moneys pledged under the Indenture for any of the purposes of the Indenture, whether for the payment of the principal of or interest on the Obligations or for any other purpose of the Indenture. Nevertheless, the Authority may, but shall not be required to, advance for any of the purposes hereof any funds of the Authority which may be made available to it for such purposes.

The Obligations are not a debt of the members of the Authority, the State or any of its political subdivisions (other than the Authority) and neither the members of the Authority, said State nor any of its political subdivisions (other than the Authority) is liable thereon. The District shall have no liability or obligation herein except with respect to Series 2023 Installment Payments payable under the Installment Purchase Agreement.

Section 11.02. Successor Is Deemed Included in All References to Predecessor. Whenever in the Indenture either the Authority or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all covenants and agreements in the Indenture by or on behalf of the Authority or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 11.03. Limitation of Rights to Parties and Obligation Owners. Nothing in the Indenture or in the Obligations, express or implied, is intended or shall be construed to give to any person other than the Authority, the Trustee, the District and the Owners of the Obligations, any legal or equitable right, remedy or claim under or in respect of the Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Authority, the Trustee, the District and the Owners of the Obligations.

Section 11.04. Waiver of Notice; Requirement of Mailed Notice. Whenever in the Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person who is entitled to receive such notice, and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver. Whenever in the Indenture any notice shall be required to be given by mail, such

requirement shall be satisfied by the deposit of such notice in the United States mail, postage prepaid, by first class mail.

Section 11.05. Destruction of Obligations. Whenever in the Indenture provision is made for the cancellation by the Trustee and the delivery to the Authority of any Obligations, the Trustee shall destroy such Obligations in accordance with its then customary procedure as may be allowed by law and deliver a certificate of such destruction to the Authority.

Section 11.06. Severability of Invalid Provisions. If any one or more of the provisions contained in the Indenture or in the Obligations shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in the Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of the Indenture, and the Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority hereby declares that it would have entered into the Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Obligations pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of the Indenture may be held illegal, invalid or unenforceable.

Section 11.07. Notices. Any notice to or demand upon the Authority or the Trustee shall be deemed to have been sufficiently given or served for all purposes by being sent by email, facsimile or by being deposited, first class mail, postage prepaid, in a post office letter box, addressed, as the case may be, to the Authority, c/o San Bernardino Valley Municipal Water District, 380 E Vanderbilt Way, San Bernardino, California 92408, Attention: Executive Director (or such other address as may have been filed in writing by the Authority with the Trustee) or email at heatherd@sbvmwd.com, or to the Trustee at its Office by first class mail, U.S. Bank Trust Company, National Association, 633 West Fifth Street, 24th Floor, Los Angeles, California 90071, Attention: Global Corporate Trust, email at ilse.vlach@usbank.com or facsimile at (213) 615-6197, provided that, any direction to disburse amounts held by the Trustee must be sent by electronic transmission via the Trustee's online service, facsimile or other secured manner acceptable to the Trustee. Notwithstanding the foregoing provisions of this Section 11.07, the Trustee shall not be deemed to have received, and shall not be liable for failing to act upon the contents of, any notice unless and until the Trustee actually receives such notice.

Section 11.08. Evidence of Rights of Obligation Owners. Any request, consent or other instrument that is required or permitted by the Indenture to be signed and executed by Obligation Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Obligation Owners in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of Obligations transferable by delivery, shall be sufficient for any purpose of the Indenture and shall be conclusive in favor of the Trustee and the Authority if made in the manner provided in this Section.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The Ownership of Obligations shall be proved by the Registration Books. Any request, consent, or other instrument or writing of the Owner of any Obligation shall bind every future Owner of the same Obligation and the Owner of every Obligation issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in accordance therewith or reliance thereon.

Section 11.09. Disqualified Obligations. In determining whether the Owners of the requisite aggregate principal amount of Obligations have concurred in any demand, request, direction, consent or waiver under the Indenture, Obligations which are known by the Trustee to be owned or held by or for the account of the Authority, or by any other obligor on the Obligations, or by any person that is directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or any other obligor on the Obligations, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Obligations so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Obligations and that the pledgee is not a person that is directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or any other obligor on the Obligations. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee. Upon request, the Authority shall certify to the Trustee those Obligations that are disqualified pursuant to this Section 11.09 and the Trustee may conclusively rely on such certificate.

Section 11.10. Money Held for Particular Obligations. The money held by the Trustee for the payment of the interest, principal or premium due on any date with respect to particular Obligations (or portions of Obligations in the case of registered Obligations redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Obligations entitled thereto, subject, however, to the provisions of Section 10.04 hereof, but without any liability for interest thereon.

Section 11.11. Funds and Accounts. Any fund or account that is required by the Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with corporate trust industry standards to the extent practicable, and with due regard for the requirements of Section 6.05 and for the protection of the security of the Obligations and the rights of every Owner thereof.

Section 11.12. Waiver of Personal Liability. No member, officer, agent, employee, consultant or attorney of the Authority or the District shall be individually or personally liable for the payment of the principal of or premium or interest on the Obligations or subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent, employee, consultant or attorney from the performance of any official duty provided by law or by the Indenture.

Section 11.13. Execution in Several Counterparts. The Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument. The exchange of

copies of this Indenture and of signature pages by facsimile or PDF transmission shall constitute effective execution and delivery of this Indenture as to the parties hereto and may be used in lieu of the original Indenture and signature pages for all purposes.

Section 11.14. CUSIP Numbers. Neither the Trustee nor the Authority shall be liable for any defect or inaccuracy in the CUSIP number that appears on any Obligation or in any redemption notice. The Trustee may, in its reasonable judgment, include in any redemption notice a statement to the effect that the CUSIP numbers on the Obligations have been assigned by an independent service and are included in such notice solely for the convenience of the Owners of the Obligations and that neither the Authority nor the Trustee shall be liable for any inaccuracies in such numbers. The Authority will promptly notify the Trustee in writing of any change in the CUSIP numbers.

Section 11.15. Choice of Law. THE INDENTURE SHALL BE GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA.

Section 11.16. Notice to Rating Agency. The Trustee shall provide the Rating Agency with written notice of each amendment to the Indenture and a copy thereof at least fifteen (15) days in advance of its execution. The Trustee makes this covenant as a matter of courtesy and accommodation only and shall not be liable to any Person for any failure to comply therewith.

Section 11.17. U.S.A. Patriot Act. The parties hereto acknowledge that in accordance with Section 326 of the U.S.A. Patriot Act, the Trustee, like all financial institutions and in order to help fight the funding of terrorism and money laundering, is required to obtain, verify, and record information that identifies each person or legal entity that establishes a relationship or opens an account with the Trustee. The parties to this Indenture agree that they will provide the Trustee with such information as it may request in order for the Trustee to satisfy the requirements of the U.S.A. Patriot Act.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the Authority has caused the Indenture to be signed in its name by its Chair and attested by its Secretary, and the Trustee, in token of its acceptance of the trusts created hereunder, has caused the Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

UPPER SANTA ANA RIVER WATERSHED
INFRASTRUCTURE FINANCING AUTHORITY

By: _____
Chair

ATTEST:

Secretary

U.S. BANK TRUST COMPANY, NATIONAL
ASSOCIATION, as Trustee

By: _____
Authorized Officer

EXHIBIT A

FORM OF 2023A NOTE

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AS DEFINED IN THE INDENTURE) TO THE NOTE REGISTRAR FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

No. _____

\$ _____

UNITED STATES OF AMERICA
STATE OF CALIFORNIA

UPPER SANTA ANA RIVER WATERSHED INFRASTRUCTURE FINANCING AUTHORITY
INTERIM NOTE (SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT), SERIES
2023A

INTEREST RATE	MATURITY DATE	ORIGINAL ISSUE DATE	CUSIP
____%	December 1, 20__	_____, 2023	____

REGISTERED OWNER CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

The UPPER SANTA ANA RIVER WATERSHED INFRASTRUCTURE FINANCING AUTHORITY, a joint exercise of powers agency that is duly organized and existing under the laws of the State of California (the “Authority”), for value received, hereby promises to pay to the Registered Owner specified above or registered assigns (the “Registered Owner”), on the Maturity Date specified above (subject to any right of prior redemption hereinafter provided for), the Principal Amount specified above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the interest payment date next preceding the date of authentication of this Note (unless: (i) this Note is authenticated after the fifteenth day of the calendar month preceding an interest payment date, whether or not such day is a business day, and on or before the following interest payment date, in which event it shall bear interest from such interest payment date; or (ii) this Note is authenticated on or before November 15, 2023, in which event it shall bear interest from the Original Issue Date identified above; provided, however, that if as of the date of authentication of this Note, interest is in default on this Note, this Note shall bear interest from the interest payment date to which interest has previously been paid or made available for payment on

this Note), at the Interest Rate per annum specified above, payable on December 1, 2023 and semiannually on each June 1, and December 1 thereafter, calculated on the basis of a 360 day year composed of twelve 30 day months. Principal hereof and premium, if any, upon early redemption hereof are payable by check of the Trustee upon presentation and surrender hereof at the Office (as defined in the hereinafter described Indenture) of U.S. Bank Trust Company, National Association, as trustee (the “Trustee”). Interest hereon is payable by check of the Trustee sent by first class mail on the applicable interest payment date to the Registered Owner hereof at the Registered Owner’s address as it appears on the registration books of the Trustee as of the close of business on the fifteenth day of the month preceding each interest payment date (except that in the case of a registered owner of one million dollars (\$1,000,000) or more in principal amount, such payment may, at such registered owner’s option, be made by wire transfer of immediately available funds to an account in the United States in accordance with written instructions provided to the Trustee by such registered owner prior to the fifteenth (15th) day of the month preceding such interest payment date).

This Note is not a debt of the members of the Authority, the State of California, or any of its political subdivisions (other than the Authority), and neither the members of the Authority or said State, nor any of its political subdivisions (other than the Authority), is liable hereon, nor in any event shall this Note be payable out of any funds or properties of the Authority other than the Authority Revenues (as such term is defined in the Indenture of Trust, dated as of May 1, 2023 (the “Indenture”), by and between the Authority and the Trustee) and other moneys pledged therefor under the Indenture. The obligation of San Bernardino Valley Municipal Water District (the “District”) to make payments in accordance with the Installment Purchase Agreement (as such term is defined in the Indenture) is a limited obligation of the District as set forth in the Installment Purchase Agreement and the District shall have no liability or obligation in connection herewith except with respect to such Series 2023 Installment Payments to be made pursuant to the Installment Purchase Agreement. The Notes do not constitute an indebtedness of the Authority in contravention of any constitutional or statutory debt limitation or restriction.

This Note is one of a duly authorized issue of notes of the Authority designated as the “Upper Santa Ana River Watershed Infrastructure Financing Authority Interim Notes (San Bernardino Valley Municipal Water District), Series 2023A (the “Notes”), of an aggregate principal amount of ____ Million ____ Thousand Dollars (\$ _____), all of like tenor and date (except for such variation, if any, as may be required to designate varying series, numbers or interest rates) and all issued pursuant to the provisions of the Joint Exercise of Powers Agreement, dated July 20, 2021, by and among the District, the Yucaipa Valley Water District and the other parties thereto, creating the Authority, and that is organized and existing under and by virtue of the laws of the State, as amended from time to time (the “JPA Agreement”) and the laws of the State of California and pursuant to the Indenture and the resolution authorizing the issuance of the Notes. Reference is hereby made to the Indenture (copies of which are on file at the office of the Authority) and all supplements thereto for a description of the terms on which the Notes are issued, the provisions with regard to the nature and extent of the Authority Revenues, and the rights thereunder of the Owners of the Notes and the rights, duties and immunities of the Trustee and the rights and obligations of the Authority hereunder, to all of the provisions of which the Registered Owner of this Note, by acceptance hereof, assents and agrees. The Note has been issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof.

The Notes have been issued by the Authority to finance, on behalf of the District, the acquisition of certain capital improvements on an interim basis, as more fully described in the Installment Purchase Agreement.

This Note and the interest, premium, if any, hereon and all other Notes and the interest and premium, if any, thereon (to the extent set forth in the Indenture) are special obligations of the Authority, and are payable from, and are secured by a pledge and lien on the Authority Revenues, including all Series 2023 Installment Payments received from the District by the Authority or the Trustee, and any other amounts on deposit in certain funds and accounts created under the Indenture. As and to the extent set forth in the Indenture, all of the Authority Revenues are exclusively and irrevocably pledged in accordance with the terms hereof and the provisions of the Indenture, to the payment of the principal of and interest and premium (if any) on the Notes and the Authority's Refunding Revenue Bonds (San Bernardino Valley Municipal Water District), Series 2023B (the "2023B Bonds" and, together with the Notes, the "Obligations").

The Indenture and the rights and obligations of the Authority and the Owners of the Obligations and the Trustee may be modified or amended from time to time and at any time with the written consent of the Owners of a majority in aggregate principal amount of all Obligations then Outstanding, exclusive of Obligations disqualified as set forth in the Indenture, in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment may: (i) extend the fixed maturity of any Obligations, or reduce the amount of principal thereof or premium (if any) thereon, or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the owner of each Obligation so affected; or (ii) reduce the aforesaid percentage of Obligations the consent of the Owners of which is required to affect any such modification or amendment, or permit the creation of any lien on the Authority Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture except as permitted in the Indenture, or deprive the Owners of the Obligations of the lien created by the Indenture on such Authority Revenues and other assets, except as expressly provided in the Indenture, without the consent of the Owners of all of the Obligations then Outstanding.

The Indenture and the rights and obligations of the Authority, the Trustee and the Owners of the Obligations may also be modified or amended for certain purposes described more fully in the Indenture at any time in the manner, to the extent and upon the terms provided in the Indenture by a supplemental indenture, which the Authority and the Trustee may enter into without the consent of any Note Owners, if the Trustee shall receive an opinion of Bond Counsel to the effect that the provisions of such supplemental indenture will not materially adversely affect the interests of the Owners of the Outstanding Obligations.

The Notes are subject to redemption prior to the maturity thereof, as a whole or in part as directed by the Authority in a Request provided to the Trustee at least thirty-five (35) days (or such lesser number of days acceptable to the Trustee in the reasonable judgment of the Trustee, such notice for the convenience of the Trustee) and by lot within the maturity in integral multiples of \$5,000, on _____ 1, 20__ or any date thereafter at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

As provided in the Indenture, notice of redemption shall be mailed by the Trustee by first class mail not less than twenty (20) days nor more than sixty (60) days prior to the redemption date to the respective Owners of any Note designated for redemption at their addresses appearing on the

registration books of the Trustee, but neither the failure to receive such notice nor any defect in the notice or the mailing thereof shall affect the validity of the proceedings for redemption or the cessation of accrual of interest thereon from and after the date fixed for redemption.

If this Note is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

If an Event of Default, as defined in the Indenture, shall occur, the principal of all of the Notes and the interest accrued thereon may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture, but such declaration and its consequences may be rescinded and annulled as further provided in the Indenture.

This Note is transferable by the Registered Owner hereof, in person or by his or her duly authorized attorney in writing, at said office of the Trustee but only in the manner, subject to the limitations and upon payment of the taxes and charges provided in the Indenture and upon surrender and cancellation of this Note. Upon registration of such transfer, a new Note or Notes of the same series, of authorized denomination or denominations, for the same aggregate principal amount of the same maturity will be issued to the transferee in exchange therefor.

Notes may be exchanged at said office of the Trustee for a like aggregate principal amount of Notes of other authorized denominations of the same series and same maturity, but only in the manner, subject to the limitations and upon payment of the taxes and charges provided in the Indenture.

The Trustee shall not be required to register the transfer or exchange of any Note during the period in which the Trustee is selecting Notes for redemption or any Note that has been selected for redemption.

The Authority and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Authority and the Trustee shall not be affected by any notice to the contrary.

It is hereby certified that all of the things, conditions and acts that are required to exist, to have happened or to have been performed precedent to and in the issuance of this Note do exist, have happened or have been performed in due and regular time, form and manner as required by the JPA Agreement, and the laws of the State of California and that the amount of this Note, together with all other indebtedness of the Authority, does not exceed any limit under any laws of the State of California, and is not in excess of the amount of Notes permitted to be issued under the Indenture.

This Note shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until the certificate of authentication hereon endorsed shall have been manually signed by the Trustee.

IN WITNESS WHEREOF, the Authority has caused this Note to be executed in its name and on its behalf with the manual or facsimile signature of its Chair and attested to by the manual or facsimile signature of its Secretary, all as of the Original Issue Date specified above.

UPPER SANTA ANA RIVER WATERSHED
INFRASTRUCTURE FINANCING AUTHORITY

By: _____
Chair

Attest:

Secretary of the Board

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION
TO APPEAR ON NOTES]

This is one of the Notes described in the within-mentioned Indenture.

Dated: _____, 2023

U.S. BANK TRUST COMPANY, NATIONAL
ASSOCIATION, as Trustee

By: _____
Authorized Signatory

[FORM OF LEGAL OPINION]

The following is a true copy of the opinion rendered by Stradling Yocca Carlson & Rauth, a Professional Corporation, in connection with the issuance of, and dated as of the date of the original delivery of, the Notes. A signed copy is on file in my office.

Secretary of the Board of the Upper Santa Ana River
Watershed Infrastructure Financing Authority

[FORM OF ASSIGNMENT]

For value received the undersigned hereby sells, assigns and transfers unto

(Name, Address and Tax Identification or
Social Security Number of Assignee)

the within registered Note and hereby irrevocably constitute(s) and appoint(s) _____
_____ attorney, to transfer the same on the registration books of the Trustee
with full power of substitution in the premises.

Dated: _____

Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Note in every particular without alteration or enlargement or any change whatsoever.

Signature Guaranteed:

Note: Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee.

EXHIBIT B

FORM OF 2023B BOND

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AS DEFINED IN THE INDENTURE) TO THE BOND REGISTRAR FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

No. _____

\$ _____

UNITED STATES OF AMERICA
STATE OF CALIFORNIA

UPPER SANTA ANA RIVER WATERSHED INFRASTRUCTURE FINANCING AUTHORITY
REFUNDING REVENUE BOND (SAN BERNARDINO VALLEY MUNICIPAL WATER
DISTRICT), SERIES 2023B

INTEREST RATE	MATURITY DATE	ORIGINAL ISSUE DATE	CUSIP
____%	July 1, 20____	_____, 2023	____

REGISTERED OWNER CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

The UPPER SANTA ANA RIVER WATERSHED INFRASTRUCTURE FINANCING AUTHORITY, a joint exercise of powers agency that is duly organized and existing under the laws of the State of California (the "Authority"), for value received, hereby promises to pay to the Registered Owner specified above or registered assigns (the "Registered Owner"), on the Maturity Date specified above (subject to any right of prior redemption hereinafter provided for), the Principal Amount specified above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the interest payment date next preceding the date of authentication of this Bond (unless: (i) this Bond is authenticated after the fifteenth day of the calendar month preceding an interest payment date, whether or not such day is a business day, and on or before the following interest payment date, in which event it shall bear interest from such interest payment date; or (ii) this Bond is authenticated on or before December 15, 2023, in which event it shall bear interest from the Original Issue Date identified above; provided, however, that if as of the date of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the interest payment date to which interest has previously been paid or made available for payment on

this Bond), at the Interest Rate per annum specified above, payable on January 1, 2024 and semiannually on each January 1 and July 1 thereafter, calculated on the basis of a 360 day year composed of twelve 30 day months. Principal hereof and premium, if any, upon early redemption hereof are payable by check of the Trustee upon presentation and surrender hereof at the Office (as defined in the hereinafter described Indenture) of U.S. Bank Trust Company, National Association, as trustee (the "Trustee"). Interest hereon is payable by check of the Trustee sent by first class mail on the applicable interest payment date to the Registered Owner hereof at the Registered Owner's address as it appears on the registration books of the Trustee as of the close of business on the fifteenth day of the month preceding each interest payment date (except that in the case of a registered owner of one million dollars (\$1,000,000) or more in principal amount, such payment may, at such registered owner's option, be made by wire transfer of immediately available funds to an account in the United States in accordance with written instructions provided to the Trustee by such registered owner prior to the fifteenth (15th) day of the month preceding such interest payment date).

This Bond is not a debt of the members of the Authority, the State of California, or any of its political subdivisions (other than the Authority), and neither the members of the Authority or said State, nor any of its political subdivisions (other than the Authority), is liable hereon, nor in any event shall this Bond be payable out of any funds or properties of the Authority other than the Authority Revenues (as such term is defined in the Indenture of Trust, dated as of May 1, 2023 (the "Indenture"), by and between the Authority and the Trustee) and other moneys pledged therefor under the Indenture. The obligation of San Bernardino Valley Municipal Water District (the "District") to make payments in accordance with the Installment Purchase Agreement (as such term is defined in the Indenture) is a limited obligation of the District as set forth in the Installment Purchase Agreement and the District shall have no liability or obligation in connection herewith except with respect to such Series 2023 Installment Payments to be made pursuant to the Installment Purchase Agreement. The Bonds do not constitute an indebtedness of the Authority in contravention of any constitutional or statutory debt limitation or restriction.

This Bond is one of a duly authorized issue of Bonds of the Authority designated as the "Upper Santa Ana River Watershed Infrastructure Financing Authority Refunding Revenue Bonds (San Bernardino Valley Municipal Water District), Series 2023B (the "Bonds"), of an aggregate principal amount of ____ Million ____ Thousand Dollars (\$____), all of like tenor and date (except for such variation, if any, as may be required to designate varying series, numbers or interest rates) and all issued pursuant to the provisions of the Joint Exercise of Powers Agreement, dated July 20, 2021, by and among the District, the Yucaipa Valley Water District and the other parties thereto, creating the Authority, and that is organized and existing under and by virtue of the laws of the State, as amended from time to time (the "JPA Agreement") and the laws of the State of California and pursuant to the Indenture and the resolution authorizing the issuance of the Bonds. Reference is hereby made to the Indenture (copies of which are on file at the office of the Authority) and all supplements thereto for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Authority Revenues, and the rights thereunder of the Owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and Bonds of the Authority hereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees. The Bond has been issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof.

The Bonds have been issued by the Authority to refinance, on behalf of the District, the costs of acquiring certain capital improvements, as more fully described in the Installment Purchase Agreement.

This Bond and the interest, premium, if any, hereon and all other Bonds and the interest and premium, if any, thereon (to the extent set forth in the Indenture) are special obligations of the Authority, and are payable from, and are secured by a pledge and lien on the Authority Revenues, including all Series 2023 Installment Payments received from the District by the Authority or the Trustee, and any other amounts on deposit in certain funds and accounts created under the Indenture. As and to the extent set forth in the Indenture, all of the Authority Revenues are exclusively and irrevocably pledged in accordance with the terms hereof and the provisions of the Indenture, to the payment of the principal of and interest and premium (if any) on the Bonds and the Authority's Interim Notes (San Bernardino Valley Municipal Water District), Series 2023A being issued concurrently herewith (the "2023A Notes" and, together with the Bonds, the "Obligations").

The Indenture and the rights and obligations of the Authority and the Owners of the Obligations and the Trustee may be modified or amended from time to time and at any time with the written consent of the Owners of a majority in aggregate principal amount of all Obligations then Outstanding, exclusive of Obligations disqualified as set forth in the Indenture, in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment may: (i) extend the fixed maturity of any Obligations, or reduce the amount of principal thereof or premium (if any) thereon, or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the owner of each Obligation so affected; or (ii) reduce the aforesaid percentage of Obligations the consent of the Owners of which is required to affect any such modification or amendment, or permit the creation of any lien on the Authority Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture except as permitted in the Indenture, or deprive the Owners of the Obligations of the lien created by the Indenture on such Authority Revenues and other assets, except as expressly provided in the Indenture, without the consent of the Owners of all of the Obligations then Outstanding.

The Indenture and the rights and obligations of the Authority, the Trustee and the Owners of the Obligations may also be modified or amended for certain purposes described more fully in the Indenture at any time in the manner, to the extent and upon the terms provided in the Indenture by a supplemental indenture, which the Authority and the Trustee may enter into without the consent of any Bond Owners, if the Trustee shall receive an opinion of Bond Counsel to the effect that the provisions of such supplemental indenture will not materially adversely affect the interests of the Owners of the Outstanding Obligations.

The Bonds with stated maturities on and after _____ 1, 20__ are subject to redemption prior to the maturity thereof, as a whole or in part as directed by the Authority in a Request provided to the Trustee at least thirty-five (35) days (or such lesser number of days acceptable to the Trustee in the reasonable judgment of the Trustee, such notice for the convenience of the Trustee) and by lot within the maturity in integral multiples of \$5,000, on _____ 1, 20__ or any date thereafter at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

As provided in the Indenture, notice of redemption shall be mailed by the Trustee by first class mail not less than twenty (20) days nor more than sixty (60) days prior to the redemption date to

the respective Owners of any Bond designated for redemption at their addresses appearing on the registration books of the Trustee, but neither the failure to receive such notice nor any defect in the notice or the mailing thereof shall affect the validity of the proceedings for redemption or the cessation of accrual of interest thereon from and after the date fixed for redemption.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

If an Event of Default, as defined in the Indenture, shall occur, the principal of all of the Bonds and the interest accrued thereon may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture, but such declaration and its consequences may be rescinded and annulled as further provided in the Indenture.

This Bond is transferable by the Registered Owner hereof, in person or by his or her duly authorized attorney in writing, at said office of the Trustee but only in the manner, subject to the limitations and upon payment of the taxes and charges provided in the Indenture and upon surrender and cancellation of this Bond. Upon registration of such transfer, a new Bond or Bonds of the same series, of authorized denomination or denominations, for the same aggregate principal amount of the same maturity will be issued to the transferee in exchange therefor.

Bonds may be exchanged at said office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations of the same series and same maturity, but only in the manner, subject to the limitations and upon payment of the taxes and charges provided in the Indenture.

The Trustee shall not be required to register the transfer or exchange of any Bond during the period in which the Trustee is selecting Bonds for redemption or any Bond that has been selected for redemption.

The Authority and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Authority and the Trustee shall not be affected by any notice to the contrary.

It is hereby certified that all of the things, conditions and acts that are required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the JPA Agreement, and the laws of the State of California and that the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any limit under any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until the certificate of authentication hereon endorsed shall have been manually signed by the Trustee.

IN WITNESS WHEREOF, the Authority has caused this Bond to be executed in its name and on its behalf with the manual or facsimile signature of its Chair and attested to by the manual or facsimile signature of its Secretary, all as of the Original Issue Date specified above.

UPPER SANTA ANA RIVER WATERSHED
INFRASTRUCTURE FINANCING AUTHORITY

By: _____
Chair

Attest:

Secretary of the Board

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION
TO APPEAR ON BONDS]

This is one of the Bonds described in the within-mentioned Indenture.

Dated: _____, 2023

U.S. BANK TRUST COMPANY, NATIONAL
ASSOCIATION, as Trustee

By: _____
Authorized Signatory

[FORM OF LEGAL OPINION]

The following is a true copy of the opinion rendered by Stradling Yocca Carlson & Rauth, a Professional Corporation, in connection with the issuance of, and dated as of the date of the original delivery of, the Bonds. A signed copy is on file in my office.

Secretary of the Board of the Upper Santa Ana River
Watershed Infrastructure Financing Authority

[FORM OF ASSIGNMENT]

For value received the undersigned hereby sells, assigns and transfers unto

(Name, Address and Tax Identification or
Social Security Number of Assignee)

the within registered Bond and hereby irrevocably constitute(s) and appoint(s) _____
_____ attorney, to transfer the same on the registration books of the Trustee
with full power of substitution in the premises.

Dated: _____

Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

Signature Guaranteed:

Note: Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee.

INSTALLMENT PURCHASE AGREEMENT

by and between

SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT

and

**UPPER SANTA ANA RIVER WATERSHED
INFRASTRUCTURE FINANCING AUTHORITY**

Dated as of May 1, 2023

Relating to

**\$ _____
UPPER SANTA ANA RIVER WATERSHED
INFRASTRUCTURE FINANCING AUTHORITY
INTERIM NOTES (SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT),
SERIES 2023A**

and

**\$ _____
UPPER SANTA ANA RIVER WATERSHED
INFRASTRUCTURE FINANCING AUTHORITY
REFUNDING REVENUE BONDS (SAN BERNARDINO VALLEY MUNICIPAL WATER
DISTRICT), SERIES 2023B**

TABLE OF CONTENTS

Page

ARTICLE I

DEFINITIONS

Section 1.01. Definitions..... 2

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.01. Representations by the District 10
Section 2.02. Representations and Warranties by the Authority 11

ARTICLE III

THE 2023 PROJECT AND THE 2011 PROJECT

Section 3.01. Acquisition of the 2023 Project 11
Section 3.02. Changes to the 2023 Project 12
Section 3.03. Sale of the 2011 Project to Authority..... 12
Section 3.04. Purchase of 2023 Project and 2011 Project 12
Section 3.05. Title 12
Section 3.06. Acquisition Fund..... 12

ARTICLE IV

INSTALLMENT PAYMENTS

Section 4.01. Purchase Price 13
Section 4.02. Series 2023 Installment Payments 13

ARTICLE V

SECURITY

Section 5.01. Pledge of Revenues..... 14
Section 5.02. Allocation of Revenues..... 14
Section 5.03. Additional Contracts and Bonds – Net Revenues..... 15
Section 5.04. Investments 16
Section 5.05. Rate Stabilization Fund..... 16

ARTICLE VI

COVENANTS OF THE DISTRICT

Section 6.01. Compliance with Installment Purchase Agreement and Ancillary
Agreements 16
Section 6.02. Against Encumbrances..... 17
Section 6.03. Against Sale or Other Disposition of Property 17
Section 6.04. Against Competitive Facilities..... 17

TABLE OF CONTENTS

(continued)

	Page
Section 6.05. Tax Covenants	17
Section 6.06. Prompt Acquisition	18
Section 6.07. Maintenance and Operation of the System	18
Section 6.08. Payment of Claims	19
Section 6.09. Compliance with Contracts.....	19
Section 6.10. Insurance	19
Section 6.11. Accounting Records; Financial Statements and Other Reports	20
Section 6.12. Protection of Security and Rights of the Authority.....	20
Section 6.13. Payment of Taxes and Compliance with Governmental Regulations.....	20
Section 6.14. Amount of Rates and Charges	20
Section 6.15. Collection of Rates and Charges	21
Section 6.16. Eminent Domain Proceeds.....	21
Section 6.17. Further Assurances.....	21
Section 6.18. Enforcement of Contracts	21
Section 6.19. Principal Payments; Draw on the 2023 WIFIA Loan	22

ARTICLE VII

PREPAYMENT OF SERIES 2023 INSTALLMENT PAYMENTS

Section 7.01. Prepayment	22
Section 7.02. Method of Prepayment.....	22

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF THE AUTHORITY

Section 8.01. Events of Default and Acceleration of Maturities	23
Section 8.02. Application of Funds Upon Acceleration	24
Section 8.03. Other Remedies of the Authority	24
Section 8.04. Non-Waiver.....	24
Section 8.05. Remedies Not Exclusive	25

ARTICLE IX

DISCHARGE OF OBLIGATIONS

Section 9.01. Discharge of Obligations	25
--	----

ARTICLE X

MISCELLANEOUS

Section 10.01. Liability Limited	26
Section 10.02. Benefits of Installment Purchase Agreement Limited to Parties	26
Section 10.03. Successor Is Deemed Included in all References to Predecessor	26
Section 10.04. Waiver of Personal Liability	26
Section 10.05. Article and Section Headings, Gender and References	27
Section 10.06. Partial Invalidity.....	27
Section 10.07. Assignment	27

TABLE OF CONTENTS

(continued)

	Page
Section 10.08. Net Contract	27
Section 10.09. California Law	27
Section 10.10. Notices	27
Section 10.11. Effective Date	28
Section 10.12. Execution in Counterparts.....	28
Section 10.13. Indemnification of Authority	28
Section 10.14. Amendments Permitted.....	28
Signatures	S-1
Exhibit A Description of the 2023 Project and the 2011 Project.....	A-1
Exhibit B Purchase Price	B-1
Exhibit C Form of Substitution Statement.....	C-1
Exhibit D Form of Requisition from Acquisition Fund.....	D-1

INSTALLMENT PURCHASE AGREEMENT

This INSTALLMENT PURCHASE AGREEMENT, dated as of May 1, 2023, is entered into by and between SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT, a municipal water district that is duly organized and existing under and by virtue of the laws of the State of California (the “District”), and UPPER SANTA ANA RIVER WATERSHED INFRASTRUCTURE FINANCING AUTHORITY, a joint exercise of powers agency that is duly organized and existing under and by virtue of the laws of the State of California (the “Authority”).

RECITALS

A. The District proposes to acquire certain capital improvements, as described in Exhibit A, (the “2023 Project”) and to refinance the costs of acquiring the 2011 Project, as described in Exhibit A (the “2011 Project”).

B. The Authority has agreed to assist the District in acquiring the 2023 Project by financing the 2023 Project on an interim basis and refinancing the costs of acquiring the 2011 Project on the terms and conditions that are set forth herein.

C. The District is authorized by Division 20 of the Water Code of the State of California, including but not limited to Sections 71690 and 71691 thereof, to acquire and construct the 2023 Project and the 2011 Project.

D. The Authority is authorized by Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, including but not limited to Section 6540 *et seq.*, to finance the acquisition of property for its members.

E. The Authority is authorized by Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, including but not limited to Section 53583, to issue bonds for the purpose of refunding any evidences of indebtedness of its members.

F. The District and the Authority have duly authorized the execution of this Installment Purchase Agreement.

G. All acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this Installment Purchase Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Installment Purchase Agreement.

NOW, THEREFORE, IN CONSIDERATION OF THESE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. Unless the context otherwise requires, the terms that are defined in this section shall for all purposes hereof and of any amendment hereof or supplement hereto and of any report or other document that is mentioned herein or therein have the meanings that are defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms that are defined herein. All capitalized terms that are used herein and not defined herein shall have the meanings that are ascribed thereto in the Indenture.

Accountant's Report

The term "Accountant's Report" means a report prepared by an Independent Certified Public Accountant.

Acquisition Fund

The term "Acquisition Fund" means Interim Note Acquisition Fund established pursuant to Section 3.06.

Authority

The term "Authority" means Upper Santa Ana River Watershed Infrastructure Financing Authority, a joint exercise of powers agency that is duly organized pursuant to the JPA Agreement and existing under and by virtue of the laws of the State of California, including the successors thereto.

Authorized Representative

The term "Authorized Representative" means, with respect to the District, its President, Vice President, Secretary, General Manager, Chief Financial Manager or any other person designated as an Authorized Representative of the District by a Certificate of the District signed by its President, Vice President, Secretary or General Manager and filed with the Trustee.

Bonds

The term "Bonds" means all revenue bonds or notes of the District hereafter authorized, executed, issued and delivered by the District, the payments of which are payable from Net Revenues on a parity with the Series 2023 Installment Payments and which are secured by a pledge of and lien on Revenues as described in Section 5.01 hereof.

Budgeted Transfers

The term "Budgeted Transfers" means, for any Fiscal Year, lawfully available amounts, including in the Rate Stabilization Fund, as of the last day of such Fiscal Year, in each case, (a) which may be lawfully used to pay the Series 2023 Installment Payments and (b) that have been transferred to the Revenue Fund, pursuant to a budget process where such amounts have been budgeted and approved by the Board of Directors of the District (and which removal from the

Revenue Fund would require a separate budget and approval process by the Board of Directors of the District prior to any such removal), for application solely to the System.

Contracts

The term “Contracts” means all contracts of the District previously or hereafter authorized and executed by the District, the payments under which are payable from Net Revenues on a parity with the Series 2023 Installment Payments and which are secured by a pledge and lien on Revenues as described in Section 5.01 hereof, including but not limited to this 2023 Installment Purchase Agreement and the 2023 WIFIA Installment Purchase Agreement.

Date of Operation

The term “Date of Operation” means, with respect to any uncompleted Parity Project, the estimated date by which such Parity Project will have been completed and, in the opinion of the District, will be ready for operation by or on behalf of the District.

Debt Service

The term “Debt Service” means, for any period of calculation, the sum of:

- (1) the interest required to be paid during such period on all outstanding Bonds, assuming that all outstanding serial Bonds are retired as scheduled and that all outstanding term Bonds are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is capitalized or is reasonably anticipated to be reimbursed to the District by the United States of America pursuant to Section 54AA of the Code (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5, 23 Stat. 115 (2009), enacted February 17, 2009)), or any future similar program);
- (2) those portions of the principal amount of all outstanding serial Bonds maturing in such period (but excluding Excluded Principal);
- (3) those portions of the principal amount of all outstanding term Bonds required to be prepaid or paid in such period (but excluding Excluded Principal); and
- (4) those portions of the Contracts that are required to be paid during such period, (except to the extent that the interest that is evidenced and represented thereby is capitalized or is reasonably anticipated to be reimbursed to the District by the United States of America pursuant to Section 54AA of the Code (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5, 23 Stat. 115 (2009), enacted February 17, 2009)), or any future similar program and excluding Excluded Principal);

but less the earnings to be derived from the investment of moneys on deposit in debt service reserve funds established for Bonds or Contracts;

provided that, as to any such Bonds or Contracts bearing or comprising interest at other than a fixed rate, the rate of interest used to calculate Debt Service shall, for all purposes, be assumed to bear interest at a fixed rate equal to the higher of: (1) the then current variable interest rate borne by such Bonds or Contracts plus 1%, and (2) the highest variable rate borne over the preceding 3 months by outstanding variable rate debt issued by the District or, if no such variable rate debt is at the time

outstanding, by variable rate debt of which the interest rate is computed by reference to an index that is comparable to that to be utilized in determining the interest rate for the debt then proposed to be issued;

provided further that if any series or issue of such Bonds or Contracts have twenty-five percent (25%) or more of the aggregate principal amount of such series or issue due in any one year (and such Principal is not Excluded Principal), Debt Service shall be determined for the period of determination as if the principal of and interest on such series or issue of such Bonds or Contracts were being paid from the date of incurrence thereof in substantially equal annual amounts over a period of twenty-five (25) years from the date of calculation; and

provided further that, as to any such Bonds or Contracts or portions thereof bearing no interest but which are sold at a discount and which discount accretes with respect to such Bonds or Contracts or portions thereof, such accreted discount shall be treated as interest in the calculation of Debt Service; and

provided further that the amount on deposit in a debt service reserve fund on any date of calculation of Debt Service shall be deducted from the amount of principal due at the final maturity of the Bonds and Contracts for which such debt service reserve fund was established and to the extent the amount in such debt service reserve fund is in excess of such amount of principal, such excess shall be applied to the full amount of principal due, in each preceding year, in descending order, until such amount is exhausted.

District

The term “District” means San Bernardino Valley Municipal Water District, a municipal water district that is duly organized and existing under and by virtue of the Law.

Event of Default

The term “Event of Default” means any events specified in Section 8.01.

Excluded Principal

The term “Excluded Principal” means each payment of principal of any Bond or Contract for which there is on file with the Trustee (i) a certificate of an Independent Municipal Consultant to the effect that such Bond or Contract is commercial paper or otherwise of a short term or revolving nature and has a maturity of less than 60 months and (ii) a certificate of the General Manager to the effect that the District intends to pay such principal from the proceeds of Bonds or Contracts, Subordinate Debt or other bonds, notes or other obligations of the District. No such determination shall affect the security for such Bonds or Contracts or the obligation of the District to pay such Bonds or Contracts from Net Revenues.

Fiscal Year

The term “Fiscal Year” means the twelve month period beginning on July 1 of each year and ending on June 30 of the following year, both dates inclusive, or any other twelve-month period hereafter selected and designated as the official fiscal year of the District.

General Manager

The term “General Manager” means the General Manager of the District, or any other person designated by the General Manager to act on behalf of the General Manager.

Generally Accepted Accounting Principles

The term “Generally Accepted Accounting Principles” means the uniform accounting and reporting procedures set forth in publications of the American Institute of Certified Public Accountants or its successor, or by any other generally accepted authority on such procedures, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

Indenture

The term “Indenture” means the Indenture of Trust, dated as of the date hereof, by and between the Trustee and the Authority, relating to the 2023 Obligations, as originally executed and as it may from time-to-time be amended or supplemented in accordance therewith.

Independent Certified Public Accountant

The term “Independent Certified Public Accountant” means any firm of certified public accountants that is appointed by the District, each of whom is independent of the District pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

Independent Municipal Consultant

The term “Independent Municipal Consultant” means a municipal advisor or firm of such municipal advisors appointed by the District, and who, or each of whom: (1) is in fact independent and not under domination of the District; (2) does not have any substantial interest, direct or indirect, with the District; (3) is not connected with the District as an officer or employee thereof, but who may be regularly retained to make reports thereto; and (4) is registered as a “municipal advisor,” as defined in Section 15B of the Securities Exchange Act of 1934, as amended.

Installment Payment Date

The term “Installment Payment Date” means any date on which Installment Payments are scheduled to be paid by the District under and pursuant to any Contract.

Installment Payments

The term “Installment Payments” means the Installment Payments of interest and principal scheduled to be paid by the District under and pursuant to the Contracts.

Installment Purchase Agreement

The term “Installment Purchase Agreement” means this Installment Purchase Agreement, by and between the District and the Authority, dated as of May 1, 2023, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

JPA Agreement

The term “JPA Agreement” means the Joint Exercise of Powers Agreement, dated July 20, 2021, by and among the District, the Yucaipa Valley Water District and the other parties thereto, pursuant to which the Authority is established, as such JPA Agreement may be amended and supplemented from time-to-time on accordance therewith.

Law

The term “Law” means the Municipal Water District Law of the State of California (being Division 20 of the Water Code of the State of California, as amended) and Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, including but not limited to Section 53583, and all laws amendatory thereof or supplemental thereto.

Net Proceeds

The term “Net Proceeds” means, when used with respect to any casualty insurance or condemnation award, the proceeds from such insurance or condemnation award remaining after payment of all expenses (including attorneys’ fees) incurred in the collection of such proceeds.

Net Revenues

The term “Net Revenues” means, for any Fiscal Year or other period, the Revenues for such Fiscal Year or other period, as the case may be, less the Operation and Maintenance Costs for such Fiscal Year or other period, as the case may be.

Operation and Maintenance Costs

The term “Operation and Maintenance Costs” means: (i) costs spent or incurred for maintenance and operation of the System in a Fiscal Year calculated in accordance with Generally Accepted Accounting Principles, including (among other things) the reasonable expenses of management and repair and other expenses that are necessary to maintain and preserve the System in good repair and working order, and including administrative costs of the District that are charged directly or apportioned to the System, including but not limited to salaries and wages of employees, payments to the Public Employees Retirement System, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys or engineers and insurance premiums, and including all other reasonable and necessary costs of the District or charges (other than Debt Service) required to be paid by it to comply with the terms of this Installment Purchase Agreement or any other Contract or of any resolution or indenture authorizing the issuance of any Bonds or of such Bonds and (ii) all costs of water provided or otherwise acquired for delivery by the System (including any interim or renewed arrangement therefor), including both fixed and variable components thereof including but not limited to payments under the Water Supply Contract; *but excluding* in all cases (w) depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar or non-cash nature, (x) all capital charges, (y) any California State Water Project costs paid from taxes described in clause (II) in the definition of Revenues or from sources other than Revenues, and (z) all amounts allocable to the District under the JPA Agreement for capital costs thereof, including principal and interest on any bonds, notes or other evidence of indebtedness of the Authority.

Parity Project

The term “Parity Project” means additions, betterments, extensions or improvements to, or for the benefit of, the District’s facilities designated by the Board of Directors of the District as a Parity Project, the acquisition and construction of which is to be paid for by the proceeds of any Contracts or Bonds.

Purchase Price

The term “Purchase Price” means the principal amount plus interest thereon owed by the District to the Authority under the terms hereof as provided in Section 4.01.

Rate Stabilization Fund

The term “Rate Stabilization Fund” means the District account identified by the District by account number 3810, together with other general ledger codes created in the future and designated by the Board of Directors as a part of the Rate Stabilization Fund continued pursuant to Section 5.05 hereof.

Revenue Fund

The term “Revenue Fund” means the District accounts into which Revenues identified by the District by account numbers 4900, 4920, 4925, 4929, 4930, 4940, 4950, 4950, 4952, 4954, 4958, 4966, 4977 and 4982, are deposited, together with other accounts currently in existence into which Revenues are deposited or created in the future by the Board of Directors into which Revenues will be deposited as a part of the Revenue Fund contained pursuant to Section 5.02.

Revenues

The term “Revenues” means all income, rents, rates, fees, charges and other moneys derived by the District from the ownership or operation of the System on or after the date hereof, including, without limiting the generality of the foregoing:

(a) all income, rents, rates, fees, charges and other moneys derived by the District from the sale, furnishing and supplying of the water or other services, facilities, and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the System, including but not limited to income received from retail water agencies under take-or-pay contracts for water produced by the Project;

(b) all proceeds of the County of San Bernardino and County of Riverside 1% *ad valorem* property tax allocated to and received by the District, including all proceeds of the unitary tax received by the District;

(c) pass-through payments from redevelopment or successor agencies pursuant to the Health and Safety Code of the State;

(d) all other income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys received by the District; and

(e) the earnings on and income derived from the investment of amounts described in clauses (a) – (d) above and from District unrestricted reserves;

but excluding:

(I) customers’ deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District; and

(II) any proceeds of taxes or assessments levied by the District to pay the Water Supply Contract and any other bonds, notes, contracts or obligations hereafter issued or executed.

“Revenues” also include all amounts transferred from the Rate Stabilization Fund to the Revenue Fund in accordance with Section 5.05 hereof. “Revenues” do not include any amounts transferred from the Revenue Fund to the Rate Stabilization Fund during any Fiscal Year in accordance with Section 5.02(d) hereof.

Series 2023 Installment Payment Date

The term “Series 2023 Installment Payment Date” means (a) with respect to the Series 2023 Installment Payments attributable to the 2023A Notes, the last Business Day of each May and the last Business Day of each November, commencing November 30, 2023 and (b) with respect to the Series 2023 Installment Payments Attributable to the 2023B Bonds, the last Business Day of each December and the last Business Day of each June, commencing December 29, 2023.

Series 2023 Installment Payments

The term “Series 2023 Installment Payments” means the Installment Payments scheduled to be paid by the District under and pursuant to the Installment Purchase Agreement.

Service

The term “Service” means the water service that is made available or provided by the District, including wholesale water sales to retail water providers.

Subordinate Debt

The term “Subordinate Debt” means all revenue bonds or notes of the District the payments on which are payable subordinate to Debt Service and all contracts of the District the payments under which are payable subordinate to Debt Service.

Subordinate Debt Service

The term “Subordinate Debt Service” means debt service on Subordinate Debt calculated in accordance with the definition of Debt Service with respect to Contracts and Bonds.

System

The term “System” means the whole and each and every part of the water system of the District, including all real property and buildings, including the portion thereof existing on the date

hereof, and including the 2023 Project and all additions, betterments, extensions and improvements to such System or any part thereof hereafter acquired or constructed.

Treasurer

The term “Treasurer” means the Chief Financial Officer of the District or the successor thereto.

Trustee

The term “Trustee” means U.S. Bank Trust Company, National Association, acting in its capacity as Trustee under and pursuant to the Indenture, and its successors and assigns.

2011 Installment Purchase Agreement

The term “2011 Installment Purchase Agreement” means that certain Installment Purchase Agreement, dated as of June 1, 2011, by and between the District and the San Bernardino Valley Municipal Water District Financing Corporation, as amended and supplemented from time-to-time in accordance therewith.

2011 Project

The term “2011 Project” means the additions, betterments, extensions and improvements to the District’s facilities, including real property and buildings, if any, which are described as such in Exhibit A, to the extent paid for with the proceeds of the 2011 Installment Purchase Agreement.

2023 Obligations

The term “2023 Obligations” means, collectively, the 2023A Notes and the 2023B Bonds.

2023 Project

The term “2023 Project” means the additions, betterments, extensions and improvements to the District’s facilities, including real property and buildings, if any, which are described as such in Exhibit A, to the extent: (a) approved pursuant to the California Environmental Quality Act; and (b) paid for with the proceeds of the Notes, and as modified in conformance with Section 3.02 hereof.

2023 WIFIA Installment Purchase Agreement

The term “2023 WIFIA Installment Purchase Agreement” means that certain Installment Purchase Agreement, dated June __, 2023, by and between the District and the Authority with respect to the 2023 WIFIA Loan, as amended and supplemented from time-to-time in accordance therewith.

2023 WIFIA Loan.

The term “2023 WIFIA Loan” means the loan to be made to the Authority by the United States Environmental Protection Agency, an agency of the United States of America, acting by and through the Administrator of the Environmental Protection Agency, pursuant to the 2023 WIFIA Loan Agreement.

2023 WIFIA Loan Agreement.

The term “2023 WIFIA Loan Agreement” means the WIFIA Loan Agreement for up to \$[69,818,796] by the United States Environmental Protection Agency with the Authority and District for the Watershed Connect – San Bernardino Valley Master Program Project 1 (WIFIA ID – 21149CA), dated June __, 2023, as amended and supplemented from time-to-time in accordance with the provisions thereof, entered into pursuant to the terms of the WIFIA Master Agreement.

2023A Notes

The term “2023A Notes” means the Upper Santa Ana River Watershed Infrastructure Financing Authority Interim Notes, Series 2023A, issued pursuant to the Indenture.

2023B Bonds

The term “2023B Bonds” means the Upper Santa Ana River Watershed Infrastructure Financing Authority Refunding Revenue Bonds, Series 2023B, issued pursuant to the Indenture.

Water Supply Contract

The term “Water Supply Contract” means the Water Supply Contract between the State of California Department of Water Resources and the District, as amended to the date hereof and as may be amended or extended from time to time in accordance therewith and including an interim or renewal arrangement with respect thereto.

WIFIA Master Agreement.

The term “WIFIA Master Agreement” means the WIFIA Master Agreement by the United States Environmental Protection Agency with the Authority and District for the Watershed Connect – San Bernardino Valley Master Program, dated June __, 2023, as amended and supplemented from time-to-time in accordance with the provisions thereof.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.01. Representations by the District. The District makes the following representations:

(a) The District is a municipal water district that is duly organized and existing under and pursuant to the laws of the State of California.

(b) The District has full legal right, power and authority to enter into this Installment Purchase Agreement, carry out its obligations hereunder and carry out and consummate all other transactions that are contemplated by this Installment Purchase Agreement, and the District has complied with the provisions of the Law in all matters relating to such transactions.

(c) By proper action, the District has duly authorized the execution, delivery and due performance of this Installment Purchase Agreement.

(d) The District will not take or, to the extent within its power, permit any action to be taken which results in the interest that is paid for the installment purchase of the 2023 Project and the 2011 Project under the terms of this Installment Purchase Agreement being included in the gross income of the Authority or its assigns for purposes of federal or State of California personal income taxation.

(e) The District has determined that it is necessary and proper for District uses and purposes within the terms of the Law that the District acquire the 2023 Project and refinance the costs of acquiring the 2011 Project in the manner that is provided for in this Installment Purchase Agreement in order to provide essential services and facilities to persons residing in the District.

Section 2.02. Representations and Warranties by the Authority. The Authority makes the following representations and warranties:

(a) The Authority is a joint exercise of powers agency that was created pursuant to the JPA Agreement and is in good standing under the laws of the State of California, has full legal right, power and authority to enter into this Installment Purchase Agreement and to carry out and consummate all transactions that are contemplated by this Installment Purchase Agreement and by proper action has duly authorized the execution and delivery and due performance of this Installment Purchase Agreement.

(b) The execution and delivery of this Installment Purchase Agreement and the consummation of the transactions herein contemplated will not violate any provision of law, any order of any court or other agency of government, or any indenture, material agreement or other instrument to which the Authority is now a party or by which it or any of its properties or assets is bound, or be in conflict with, result in a breach of or constitute a default (with due notice or the passage of time or both) under any such indenture, agreement or other instrument, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Authority.

(c) The Authority will not take or permit any action to be taken which results in interest that is paid for the installment purchase of the 2023 Project and the 2011 Project under the terms of this Installment Purchase Agreement being included in the gross income of the Authority or its assigns for purposes of federal or State of California personal income taxation.

ARTICLE III

THE 2023 PROJECT AND THE 2011 PROJECT

Section 3.01. Acquisition of the 2023 Project. The Authority hereby agrees to cause the 2023 Project to be acquired by the District as its agent from amounts on deposit in the Acquisition Fund. The District hereby agrees that it will cause the acquisition of the 2023 Project to be diligently performed after the deposit of funds into the Acquisition Fund pursuant to Section 3.06 of this Installment Purchase Agreement, upon compliance with the California Environmental Quality Act and approval by the Board of Directors of the District, and that it will use its best efforts to cause the acquisition of the 2023 Project to be substantially completed within three years of the date of issuance of the Notes. It is hereby expressly understood and agreed that the Authority shall be under no liability of any kind or character whatsoever for the payment of any cost of the 2023 Project and that all such costs and expenses shall be paid by the District.

Section 3.02. Changes to the 2023 Project. The District may substitute other components for those listed as components of the 2023 Project in Exhibit A, but only if the District first files with the Authority and the Trustee a statement of the District in the form attached as Exhibit C: (a) identifying the components to be substituted and the improvements to District facilities they replace in the 2023 Project; and (b) stating that the estimated costs of construction, acquisition or installation of the substituted components are not less than such costs for the components previously planned.

Section 3.03. Sale of the 2011 Project to Authority. In consideration for assistance in refinancing the costs of acquiring the 2011 Project, the District agrees to sell, and hereby sells, to the Authority and the Authority agrees to purchase, and hereby purchases from the District, the 2011 Project.

Section 3.04. Purchase of 2023 Project and 2011 Project. In consideration for the Series 2023 Installment Payments, the Authority agrees to sell, and hereby sells, to the District, and the District agrees to purchase, and hereby purchases, from the Authority, the 2023 Project and the 2011 Project at the purchase price that is specified in Section 4.01 hereof and otherwise in the manner and in accordance with the provisions of the Installment Purchase Agreement.

Section 3.05. Title. All right, title and interest in the 2023 Project shall vest in the District immediately upon acquisition thereof. All right, title and interest in the 2011 Project shall vest in the District immediately upon the original issuances of the 2023B Bonds. Such vesting shall occur without further action by the Authority or the District, and the Authority shall, if requested by the District or if necessary to assure such automatic vesting, deliver any and all documents which are required to assure such vesting.

Section 3.06. Acquisition Fund. The District shall establish, maintain and hold in trust a separate fund designated as the "Interim Note Acquisition Fund." The moneys in the Acquisition Fund shall be held by the District in trust and applied by the Treasurer of the District to the payment of the costs of acquisition of the 2023 Project and of expenses incidental thereto.

Before any payment is made from the Acquisition Fund by the Treasurer, the General Manager, acting as agent of the Authority, shall cause to be filed with the Treasurer a certificate of the District in the form set forth in Exhibit D to the Installment Purchase Agreement.

Upon receipt of each such certificate, the Treasurer will pay the amount that is set forth in such certificate as directed by the terms thereof or disburse funds to the District for such payment as directed by the District in such certificate. The Treasurer need not make any such payment if it has received notice of any lien, right to lien, attachment upon or claim affecting the right to receive payment of any of the moneys to be so paid, which has not been released or will not be released simultaneously with such payment.

When the 2023 Project shall have been acquired in accordance with the Installment Purchase Agreement, a statement of the District stating the fact and date of such acquisition and stating that all of such costs of acquisition and incidental expenses have been determined and paid (or that all of such costs and expenses have been paid less specified claims which are subject to dispute and for which a retention in the Acquisition Fund is to be maintained in the full amount of such claims until such dispute is resolved), shall be delivered to the Treasurer by the General Manager of the District. Upon the receipt of such statement, the Treasurer shall transfer any remaining balance in the Acquisition Fund which is not needed for Acquisition Fund purposes (but less the amount of any

such retention, which amount shall be certified to the Treasurer by the General Manager of the District) to the Trustee for deposit in the Obligation Payment Fund for payment of 2023 Obligations in accordance with the Indenture.

ARTICLE IV

INSTALLMENT PAYMENTS

Section 4.01. Purchase Price.

(a) The Purchase Price to be paid by the District hereunder to the Authority is the sum of the principal amount of the District's obligations hereunder plus the interest to accrue on the unpaid balance of such principal amount from the effective date hereof over the term hereof, subject to prepayment as provided in Article VII.

(b) The principal amount of the payments to be made by the District hereunder is set forth in Exhibit B.

(c) The interest to accrue on the unpaid balance of such principal amount is as specified in Section 4.02 and Exhibit B, and shall be paid by the District as and constitute interest paid on the principal amount of the District's obligations hereunder.

Section 4.02. Series 2023 Installment Payments. The District shall, subject to its rights of prepayment provided in Article VII, pay the Authority the Purchase Price in installment payments of interest and principal in the amounts and on the Series 2023 Installment Payment Dates as set forth in Exhibit B.

Each Series 2023 Installment Payment shall be paid to the Authority in lawful money of the United States of America. In the event that the District fails to make any of the payments which are required to be made by it under this section, such payment shall continue as an obligation of the District until such amount shall have been fully paid, and the District agrees to pay the same with interest accruing thereon at the rate or rates of interest then applicable to the remaining unpaid principal balance of the Series 2023 Installment Payments if paid in accordance with their terms.

The obligation of the District to make the Series 2023 Installment Payments is absolute and unconditional, and until such time as the Purchase Price shall have been paid in full (or provision for the payment thereof shall have been made pursuant to Article IX), the District will not discontinue or suspend any Series 2023 Installment Payment which is required to be made by it under this section when due, whether or not the System or any part thereof is operating or operable or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and whether or not the 2023 Project or the 2011 Project have been completed, and such payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

ARTICLE V

SECURITY

Section 5.01. Pledge of Revenues. The Revenues, the Revenue Fund and all amounts that are on deposit in the Revenue Fund, and the Rate Stabilization Fund and all amounts that are on deposit in the Rate Stabilization Fund, and any other amounts (including proceeds of the sale of the Obligations) which are held in any fund or account that is established pursuant to the Installment Purchase Agreement, are irrevocably pledged to the payment of the Series 2023 Installment Payments. While any of the Series 2023 Installment Payments remain unpaid, the Revenues shall be allocated only to the purposes set forth in Section 5.02 hereof. This pledge shall constitute a first lien on Revenues, the Revenue Fund, the Rate Stabilization Fund, and the other funds and accounts that are created hereunder for the payment of the Series 2023 Installment Payments and all other Contracts and Bonds in accordance with the terms hereof and of the Indenture, and subject to the application of Revenues, in accordance with the terms hereof.

Section 5.02. Allocation of Revenues. In order to carry out and effectuate the pledge and lien contained herein, the District agrees and covenants that all Revenues shall be received by the District in trust hereunder and shall be deposited when and as received in a special fund designated as the "Revenue Fund," which fund is hereby continued and which fund the District agrees and covenants to maintain and to hold separate and apart from other funds so long as the Series 2023 Installment Payments remain unpaid. Moneys in the Revenue Fund shall be used and applied by the District as provided in this Section 5.02.

(a) Operation and Maintenance Costs. The District shall, from the moneys in the Revenue Fund, pay all Operation and Maintenance Costs (including amounts which are reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required) as they become due and payable.

(b) Obligation Payment Fund. On or before each Series 2023 Installment Payment Date, the District shall, from remaining moneys in the Revenue Fund not needed for application as set forth in (a) above transfer to the Trustee for deposit in the Obligation Payment Fund an amount that is equal to the interest and principal payable and coming due on the next succeeding Series 2023 Installment Payment Date. The District shall also, from the moneys in the Revenue Fund, transfer to the applicable trustee for deposit in the applicable payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other Debt Service in accordance with the provisions of the Contract, Bond, resolution or indenture relating thereto.

Any moneys which are on deposit in the Obligation Payment Fund on each Series 2023 Installment Payment Date (other than amounts required for the payment of past due principal or interest with respect to any 2023 Obligations not presented for payment) shall be credited to the payment of the Series 2023 Installment Payments due and payable on such date. No deposit need be made in the Obligation Payment Fund as Series 2023 Installment Payments if the amount in the Obligation Payment Fund is at least equal to the amount of the Series 2023 Installment Payment that is due and payable on the next succeeding Series 2023 Installment Payment Date.

(c) Reserve Funds. On or before each Series 2023 Installment Payment Date, the District shall, from moneys in the Revenue Fund not needed for application as set forth in (a) or (b)

above shall, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, be transferred to the applicable trustee for any reserve funds and/or accounts for Bonds or Contracts.

(d) Surplus. Moneys on deposit in the Revenue Fund which are not needed for application as set forth in (a), (b) or (c) above may be expended by the District at any time for any purpose permitted by law, including but not limited to payment of Subordinate Debt, or deposited in the Rate Stabilization Fund.

Section 5.03. Additional Contracts and Bonds – Net Revenues. The District may at any time execute any Contract or issue any Bonds, as the case may be, in accordance herewith; provided:

(a) The Net Revenues for the last audited Fiscal Year of the District, or for any consecutive twelve calendar month period during the eighteen calendar month period preceding the date of adoption by the Board of Directors of the District of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, as the case may be, as evidenced by a special report prepared by an Independent Certified Public Accountant or Independent Municipal Consultant on file with the District, shall have produced a sum equal to at least one hundred twenty-five percent (125%) of the Debt Service for such Fiscal Year or other twelve month period;

(b) The Net Revenues for the last audited Fiscal Year of the District, or for any consecutive twelve calendar month period during the eighteen calendar month period preceding the date of adoption by the Board of Directors of the District of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, as the case may be, including adjustments to give effect as of the first day of such Fiscal Year or other twelve month period, to increases or decreases in rates and charges with respect, or applicable, to the System approved and in effect as of the date of calculation, as evidenced by a special report prepared by an Independent Certified Public Accountant or Independent Municipal Consultant on file with the District, shall have produced a sum equal to at least one hundred twenty-five percent (125%) of the Debt Service for such Fiscal Year or other twelve month period, plus the Debt Service which would have accrued on any Contracts executed or Bonds issued since the end of such Fiscal Year or other twelve month period, assuming that such Contracts had been executed or Bonds had been issued at the beginning of such Fiscal Year or other twelve month period, plus the Debt Service which would have accrued had such proposed additional Contract been executed or proposed additional Bonds been issued at the beginning of such Fiscal Year or other twelve month period; and

(c) The estimated Net Revenues for the then current Fiscal Year and for each Fiscal Year thereafter to and including the first complete Fiscal Year after the latest Date of Operation of any uncompleted Project, as evidenced by a certificate of the Manager on file with the District, including (after giving effect to the completion of all such uncompleted Parity Projects) an allowance for estimated Net Revenues for each of such Fiscal Years arising from any increase in the income, rents, fees, rates and charges estimated to be fixed and prescribed or received for the Service and which are economically feasible and reasonably considered necessary based on projected operations for such period, as evidenced by a certificate of the Manager on file with the District, shall produce a sum equal to at least one hundred twenty five-percent (125%) of the estimated Debt Service for each of such Fiscal Years, after giving effect to the execution of all Contracts and the issuance of all Bonds estimated to be required to be executed or issued to pay the costs of completing all uncompleted Parity Projects within such Fiscal Years, assuming that all such Contracts and Bonds have maturities, interest rates and proportionate principal repayment provisions similar to the Contract last executed

or then being executed or the Bonds last issued or then being issued for the purpose of acquiring and constructing any of such uncompleted Parity Projects.

(d) For purposes of this Section 5.03, the amount of Net Revenues may be increased by Budgeted Transfers (measured as of the last day of the immediately preceding Fiscal Year), such amount to be no greater than twenty-five percent (25%) of Debt Service payable in the applicable Fiscal Year.

Notwithstanding the foregoing, Bonds issued or Contracts executed to refund Bonds or prepay Contracts may be delivered without satisfying the conditions set forth above if Debt Service in each Fiscal Year after the Fiscal Year in which such Bonds are issued or Contracts executed is not greater than 110% of the Debt Service which would have been payable in each such Fiscal Year prior to the issuance of such Bonds or execution of such Contracts.

Section 5.04. Investments. All moneys which are held by the District in the Revenue Fund, the Rate Stabilization Fund and the Acquisition Fund shall be invested in Permitted Investments, and the investment earnings thereon shall remain on deposit in such fund, except as otherwise provided herein.

Section 5.05. Rate Stabilization Fund. There is hereby continued a special fund designated as the “Rate Stabilization Fund” to be held by the District hereunder, which fund the District agrees and covenants to continue and maintain so long as any 2023 Obligations remain unpaid. On the date of execution of this Installment Purchase Agreement, there is \$0 on deposit in the Rate Stabilization Fund. Money in the Rate Stabilization Fund shall be applied in accordance with this Installment Purchase Agreement.

The District may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund and transfer such amounts to the Revenue Fund for application in accordance with Section 5.02 hereof or, in the event that all or a portion of the Series 2023 Installment Payments are discharged in accordance with Section 9.01(b) or (c) hereof, transfer all or any portion of such amounts for application in accordance with said section. Amounts transferred from the Rate Stabilization Fund to the Revenue Fund pursuant to this Section 5.05 during or within 270 days after the end of a Fiscal Year, may be taken into account as Revenues for purposes of the calculations in Sections 5.03 and 6.14 in such Fiscal Year.

ARTICLE VI

COVENANTS OF THE DISTRICT

Section 6.01. Compliance with Installment Purchase Agreement and Ancillary Agreements. The District will punctually pay the Series 2023 Installment Payments in strict conformity with the terms hereof, and will faithfully observe and perform all of the agreements, conditions, covenants and terms contained herein which are required to be observed and performed by it, and will not terminate the Installment Purchase Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the System, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of California or any political subdivision of either or any failure of the Authority to observe or perform any agreement, condition, covenant or term which is contained herein and required to be observed and performed by it, whether express or

implied, or any duty, liability or obligation arising out of or connected herewith or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Authority or any force majeure, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lock outs, lack of transportation facilities, fire, explosion or acts or regulations of governmental authorities.

The District will faithfully observe and perform all of the agreements, conditions, covenants and terms which are required to be observed and performed by it pursuant to all outstanding Contracts and Bonds as such may from time to time be executed or issued, as the case may be.

Section 6.02. Against Encumbrances. The District will not make any pledge of or place any lien on Revenues or the moneys in the Revenue Fund except as provided herein. In addition, the District may at any time, or from time to time, issue evidences of indebtedness or incur other obligations for any lawful purpose which are payable from and secured by a pledge of and lien on Revenues or any moneys in the Revenue Fund as may from time to time be deposited therein (as provided in Section 5.03), provided that such pledge and lien shall be subordinate in all respects to the pledge of and lien thereon provided herein.

Section 6.03. Against Sale or Other Disposition of Property. The District will not enter into any agreement or lease which materially impairs the operation of the System or any part thereof which is necessary to secure adequate Revenues for the payment of the Series 2023 Installment Payments, or which would otherwise materially impair the rights of the Authority hereunder or the operation of the System. Any real or personal property which has become nonoperative or which is not needed for the efficient and proper operation of the System, or any material or equipment which has become worn out, may be sold if such sale will not materially impair the ability of the District to pay the Series 2023 Installment Payments and if the proceeds of such sale are deposited in the Revenue Fund.

Nothing herein shall restrict the ability of the District to sell any portion of the System if such portion is immediately repurchased by the District and if such arrangement cannot by its terms result in the purchaser of such portion of the System exercising any remedy which would deprive the District of or otherwise interfere with its right to own and operate such portion of the System.

Section 6.04. Against Competitive Facilities. The District and the Authority hereby acknowledge that certain public and private agencies, corporations, districts or other political subdivisions currently operate water supply and distribution systems within the boundaries of the District and that nothing contained in this Agreement is intended to alter or affect such activities. The District shall not: (i) to the extent permitted by law, acquire, construct, maintain or operate, any water importation and treatment facility that is competitive with the System; or (ii) to the extent permitted by law and within the scope of its powers, permit any other public or private agency, corporation, district or political subdivision or any person whomsoever to acquire, construct, maintain or operate within the service area of the System any water importation and treatment facility that is competitive with the System.

Section 6.05. Tax Covenants. Notwithstanding any other provision of the Installment Purchase Agreement, absent an opinion of Note Counsel that the exclusion from gross income of the interest on the 2023 Obligations will not be adversely affected for federal income tax purposes, the District covenants to comply with all applicable requirements of the Code which are necessary to

preserve such exclusion from gross income with respect to the 2023 Obligations and specifically covenants, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The District will take no action or refrain from taking any action, and the District will make no use of the proceeds of the 2023 Obligations or of any other moneys or property, which would cause the 2023 Obligations to be “private activity bonds” within the meaning of Section 141 of the Code;

(b) Arbitrage. The District will make no use of the proceeds of the 2023 Obligations or of any other amounts or property, regardless of the source, and the District will not take any action or refrain from taking any action, which will cause the 2023 Obligations to be “arbitrage bonds” within the meaning of Section 148 of the Code;

(c) Federal Guarantee. The District will make no use of the proceeds of the 2023 Obligations, and the District will not take or omit to take any action, that would cause the 2023 Obligations to be “federally guaranteed” within the meaning of Section 149(b) of the Code;

(d) Information Reporting. The District will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code which is necessary to preserve the exclusion of interest on the 2023 Obligations pursuant to Section 103(a) of the Code;

(e) Hedge Bonds. The District will make no use of the proceeds of the 2023 Obligations or any other amounts or property, regardless of the source, and the District will not take any action or refrain from taking any action, that would cause the 2023 Obligations to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the District takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest on the 2023 Obligations for federal income tax purposes; and

(f) Miscellaneous. The District will not take any action or refrain from taking any action which is inconsistent with its expectations stated in the Tax Certificate executed by the District in connection with the issuance of the 2023 Obligations and will comply with the covenants and requirements that are stated therein and incorporated by reference herein.

This section and the covenants that are set forth herein shall not be applicable to, and nothing that is contained herein shall be deemed to prevent the District from causing the Authority to issue revenue bonds or issuing bonds or executing and delivering contracts that are payable on a parity with the 2023 Obligations, the interest with respect to which has been determined to be subject to federal income taxation.

Section 6.06. Prompt Acquisition. The District will take all necessary and appropriate steps to acquire the 2023 Project, as agent of the Authority, with all practicable dispatch and in an expeditious manner and in conformity with law so as to complete the same as soon as possible.

Section 6.07. Maintenance and Operation of the System. The District will maintain and preserve the System in good repair and working order at all times, operate the System in an efficient and economical manner and pay all Operation and Maintenance Costs as they become due and payable.

Section 6.08. Payment of Claims. The District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the Revenues or the funds or accounts created hereunder or under the Indenture or on any funds in the hands of the District pledged to pay the Series 2023 Installment Payments or the Bonds, or which might impair the security of the Series 2023 Installment Payments.

Section 6.09. Compliance with Contracts. The District will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, which are required to be performed by it contained in all contracts for the use of the System and all other contracts affecting or involving the System, to the extent that the District is a party thereto.

Section 6.10. Insurance.

(a) The District will procure and maintain or cause to be procured and maintained insurance on the System, excluding coverage for earthquake damage or destruction, with responsible insurers in such amounts and against such risks (including accident to or destruction of the System) as are usually covered in connection with facilities that are similar to the System so long as such insurance is available at reasonable rates.

In the event of any damage to or destruction of the System caused by the perils covered by such insurance, the Net Proceeds thereof shall be applied to the reconstruction, repair or replacement of the damaged or destroyed portion of the System. The District shall begin such reconstruction, repair or replacement promptly after such damage or destruction shall occur, and shall continue and properly complete such reconstruction, repair or replacement as expeditiously as possible, and shall pay out of such Net Proceeds all costs and expenses in connection with such reconstruction, repair or replacement so that the same shall be completed and the System shall be free and clear of all claims and liens.

If such Net Proceeds exceed the costs of such reconstruction, repair or replacement, then the excess Net Proceeds shall be applied in part to the prepayment of Series 2023 Installment Payments as provided in Article VII and in part to such other fund or account as may be appropriate and used for the retirement of Bonds and Contracts in the same proportion which the aggregate unpaid principal balance of Series 2023 Installment Payments then bears to the aggregate unpaid principal amount of such Bonds and Contracts. If such Net Proceeds are sufficient to enable the District to retire the entire obligation that is evidenced hereby prior to the final due date of the Series 2023 Installment Payments as well as the entire obligations that are evidenced by Bonds and Contracts then remaining unpaid prior to their final respective due dates, the District may elect not to reconstruct, repair or replace the damaged or destroyed portion of the System, and thereupon such Net Proceeds shall be applied to the prepayment of Series 2023 Installment Payments as provided in Article VII and to the retirement of such Bonds and Contracts.

(b) The District will procure and maintain such other insurance which it shall deem advisable or necessary to protect its interests and the interests of the Authority, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with municipal water systems similar to the System.

(c) Any insurance that is required to be maintained by paragraph (a) above and, if the District determines to procure and maintain insurance pursuant to paragraph (b) above, such insurance, may be maintained under a self-insurance program so long as such self-insurance is

maintained in the amounts and manner usually maintained in connection with water systems similar to the System and is, in the opinion of an accredited actuary, actuarially sound.

All policies of insurance which are required to be maintained herein shall provide that the Authority or its assignee shall be given thirty (30) days' written notice of any intended cancellation thereof or reduction of coverage provided thereby.

Section 6.11. Accounting Records; Financial Statements and Other Reports.

(a) The District will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the System, which records shall be available for inspection by the Authority and the Trustee at reasonable hours and under reasonable conditions.

(b) The District will prepare and file with the Authority or its assignee, annually within two hundred seventy (270) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2023) financial statements of the District for the preceding Fiscal Year prepared in accordance with generally accepted accounting principles, together with an Accountant's Report thereon. The Trustee shall have no obligation to review any such financial statements.

Section 6.12. Protection of Security and Rights of the Authority. The District will preserve and protect the security hereof and the rights of the Authority to the Series 2023 Installment Payments hereunder and will warrant and defend such rights against all claims and demands of all persons.

Section 6.13. Payment of Taxes and Compliance with Governmental Regulations. The District will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the System, or any part thereof or upon the Revenues when the same shall become due. The District will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the System, or any part thereof, but the District shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

Section 6.14. Amount of Rates and Charges.

(a) To the fullest extent permitted by law, the District shall fix and prescribe, at the commencement of each Fiscal Year, rates and charges with respect, or applicable, to the System which are reasonably expected to be at least sufficient to yield during each Fiscal Year Net Revenues equal to one hundred twenty five percent (125%) of Debt Service payable in such Fiscal Year, after taking into account any amounts transferred from the Rate Stabilization Fund to the Revenue Fund in accordance with Section 5.05 hereof. Budgeted Transfers, in an amount not to exceed twenty-five percent (25%) of Debt Service referred to in the preceding sentence, as of the last day of the immediately preceding Fiscal Year may be credited towards the District's obligations under this clause (a).

The District may make adjustments from time to time in such rates and charges and may make such classifications thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net Revenues from such reduced rates and charges are reasonably expected to be sufficient to meet the requirements of this Section.

(b) For avoidance of doubt, so long as the District has complied with its obligations set forth in Section 6.14(a) above, the failure of Net Revenues to meet the threshold set forth in Section 6.14(a) above at the end of a Fiscal Year shall not constitute a default or an Event of Default so long as the District has complied with Section 6.14(a) at the commencement of the immediately succeeding Fiscal Year.

Section 6.15. Collection of Rates and Charges. The District will have in effect at all times by-laws, rules and regulations requiring each customer to pay the rates and charges applicable to the Service to such customer's land and providing for the billing thereof and for a due date and a delinquency date for each bill. In each case where such bill remains unpaid in whole or in part after it becomes delinquent, the District may discontinue such service from the System, and such service shall not thereafter be recommenced except in accordance with District by-laws or rules, regulations and State Law governing such situations of delinquency.

Section 6.16. Eminent Domain Proceeds. If all or any part of the System shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied as follows:

(a) If: (1) the District files with the Authority and the Trustee a certificate showing: (i) the estimated loss of annual Net Revenues, if any, suffered or to be suffered by the District by reason of such eminent domain proceedings; (ii) a general description of the additions, betterments, extensions or improvements to the System that are proposed to be acquired and constructed by the District from such Net Proceeds, and (iii) an estimate of the additional annual Net Revenues to be derived from such additions, betterments, extensions or improvements, and (2) the District, on the basis of such certificate filed with the Authority and the Trustee, determines that the estimated additional annual Net Revenues will sufficiently offset the estimated loss of annual Net Revenues resulting from such eminent domain proceedings so that the ability of the District to meet its obligations hereunder will not be substantially impaired (which determination shall be final and conclusive), then the District shall promptly proceed with the acquisition and construction of such additions, betterments, extensions or improvements substantially in accordance with such certificate and such Net Proceeds shall be applied for the payment of the costs of such acquisition and construction, and any balance of such Net Proceeds not required by the District for such purpose shall be deposited in the Revenue Fund.

(b) If the foregoing conditions are not met, then such Net Proceeds shall be applied in part to the prepayment of Series 2023 Installment Payments as provided in Article VII and in part to such other fund or account as may be appropriate and used for the retirement of Bonds and Contracts in the same proportion which the aggregate unpaid principal balance of Series 2023 Installment Payments then bears to the aggregate unpaid principal amount of such Bonds and Contracts.

Section 6.17. Further Assurances. The District will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto the Authority of the rights and benefits provided to it herein.

Section 6.18. Enforcement of Contracts. So long as any of the 2023 Obligations are outstanding, the District will not voluntarily consent to or permit any rescission of, nor will it consent to any amendment to or otherwise take any action under or in connection with any contracts previously or hereafter entered into which contracts provide for water to be supplied to the District

which consent, revision, amendment or other action will reduce the supply of water thereunder (except as provided therein), unless the Board of Directors of the District determines by resolution that such rescission or amendment would not materially adversely affect the ability of the District to pay Series 2023 Installment Payments.

The District hereby covenants to not issue or enter into any additional revenue bonds, notes, contracts or other evidences of indebtedness secured by a pledge of and lien on the Revenues prior to the pledge of and lien on the Revenues described in Section 5.01 hereof or payable from Net Revenues prior to the Series 2023 Installment Payments.

Section 6.19. Principal Payments; Draw on the 2023 WIFIA Loan. The District covenants that, if the District has not provided funds to pay the principal amount of the Series 2023 Installment Payments attributable to the 2023A Notes when due at maturity of the 2023A Notes, the District will cause the Authority to draw on the 2023 WIFIA Loan, under the 2023 WIFIA Installment Purchase Agreement, and cause such money to be deposited in the 2023A Notes Principal Account to pay such principal amount of the Series 2023 Installment Payments attributable to the 2023A Notes when due (to the extent such principal amount of the Series 2023 Installment Payments attributable to the 2023A Notes was used to pay for any portion of the purchase price of the WIFIA Portion of the Project, as defined in the 2023 WIFIA Loan Agreement).

ARTICLE VII

PREPAYMENT OF SERIES 2023 INSTALLMENT PAYMENTS

Section 7.01. Prepayment.

(a) The District may or shall, as the case may be, prepay from Net Proceeds as provided herein the Series 2023 Installment Payments in whole, or in part, on any date in the order of payment date as directed by the District, at a prepayment price equal to the sum of the principal amount to be prepaid plus accrued interest thereon to the date of prepayment, without premium.

(b) The District may prepay the Series 2023 Installment Payments as a whole, or in part, in the order of payment date as directed by the District, at a prepayment price equal to the principal amount of the Series 2023 Installment Payments to be prepaid, together with accrued interest thereon to the date of prepayment, as set forth in Section 4.01 of the Indenture.

(c) Notwithstanding any such prepayment, the District shall not be relieved of its obligations hereunder, including its obligations under Article IV, until the Purchase Price shall have been fully paid (or provision for payment thereof shall have been provided to the written satisfaction of the Authority).

Section 7.02. Method of Prepayment. Before making any prepayment pursuant to Section 7.01, the District shall, within five (5) days following the event permitting the exercise of such right to prepay or creating such obligation to prepay, give written notice to the Authority and the Trustee describing such event and specifying the date on which the prepayment will be paid, which date shall be not less than sixty (60) (or such shorter number of days as is acceptable to the Trustee) days from the date that such notice is given.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF THE AUTHORITY

Section 8.01. Events of Default and Acceleration of Maturities. If one or more of the following Events of Default shall happen:

(1) if default shall be made by the District in the due and punctual payment of any Series 2023 Installment Payment or any Contract or Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise;

(2) if default shall be made by the District in the observance of any of the other covenants, agreements or conditions on its part in this Installment Purchase Agreement if such default shall have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the District by the Authority; provided, however, that if in the reasonable opinion of the District the default stated in the notice can be corrected, but not within such sixty (60) day period and corrective action is instituted by the District within such sixty (60) day period and diligently pursued in good faith until the default is corrected such default shall not be an Event of Default hereunder;

(3) if the District shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the District seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the District or of the whole or any substantial part of its property; or

(4) if payment of the principal of any Bond or with respect to any Contract is accelerated in accordance with its terms;

then and in each and every such case during the continuance of an Event of Default, the Authority shall, by notice in writing to the District, declare the entire principal amount of the unpaid Series 2023 Installment Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything contained herein to the contrary notwithstanding. This section, however, is subject to the condition that if at any time after the entire principal amount of the unpaid Series 2023 Installment Payments and the accrued interest thereon shall have been so declared due and payable, but before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the District shall deposit with the Authority an amount that is sufficient to pay the unpaid principal amount of the Series 2023 Installment Payments or the unpaid payment of any other Contract or Bond referred to in clause (1) above due prior to such declaration and the accrued interest thereon, with interest on such overdue installments, at the rate or rates applicable to the remaining unpaid principal balance of the Series 2023 Installment Payments or such Contract or Bond if paid in accordance with their terms, and the reasonable expenses of the Authority, and any and all other defaults known to the Authority (other than in the payment of the entire principal amount of the unpaid Series 2023 Installment Payments and the accrued interest thereon due and payable solely by reason of such declaration) shall

have been made good or cured to the satisfaction of the Authority or provision deemed by the Authority to be adequate shall have been made therefor, then and in every such case the Authority, by written notice to the District, may rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Section 8.02. Application of Funds Upon Acceleration. Upon the date of the declaration of acceleration as provided in Section 8.01, all Revenues thereafter received by the District shall be applied in the following order:

First, to the payment, without preference or priority, and in the event of any insufficiency of such Revenues ratably without any discrimination or preference, of the fees, costs and expenses of the Trustee and its assigns and thereafter to the Authority, as the case may be, in carrying out the provisions of this article, including reasonable compensation to their respective accountants and counsel;

Second, to the payment of the Operation and Maintenance Costs; and

Third, to the payment, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, of the entire principal amount of the unpaid 2023 Installment Payments and the unpaid principal amount of all Bonds and all Contracts and the accrued interest thereon, with interest on the overdue installments at the rate or rates of interest applicable to the Series 2023 Installment Payments and such Bonds and Contracts if paid in accordance with their respective terms.

Section 8.03. Other Remedies of the Authority. The Authority shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the District or any director, officer or employee thereof, and to compel the District or any such director, officer or employee to perform and carry out its or his or her duties under the Law and the agreements and covenants required to be performed by it or him or her contained herein;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Authority; or

(c) by suit in equity upon the happening of an Event of Default to require the District and its directors, officers and employees to account as the trustee of an express trust.

Notwithstanding anything contained herein, the Authority shall have no security interest in or mortgage on the 2023 Project, the 2011 Project, the System or other assets of the District and no default hereunder shall result in the loss of the 2023 Project, the 2011 Project, the System or other assets of the District.

Section 8.04. Non-Waiver. Nothing in this article or in any other provision hereof shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the Series 2023 Installment Payments to the Authority at the respective due dates or upon prepayment from the Net Revenues, the Revenue Fund and the other funds herein pledged for such payment, or shall affect

or impair the right of the Authority, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein.

A waiver of any default or breach of duty or contract by the Authority shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Authority to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy that is conferred upon the Authority by the Law or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Authority.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned or determined adversely to the Authority, the District and the Authority shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Section 8.05. Remedies Not Exclusive. No remedy that is conferred upon or reserved to the Authority herein is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the Law or any other law.

ARTICLE IX

DISCHARGE OF OBLIGATIONS

Section 9.01. Discharge of Obligations. When:

(a) all or any portion of the Series 2023 Installment Payments shall have become due and payable in accordance herewith or a written notice of the District to prepay all or any portion of the Series 2023 Installment Payments shall have been filed with the Trustee; and

(b) there shall have been deposited with the Trustee at or prior to the Series 2023 Installment Payment Date or dates specified for prepayment, in trust for the benefit of the Authority or its assigns and irrevocably appropriated and set aside to the payment of all or any portion of the Series 2023 Installment Payments, sufficient moneys or sufficient moneys and non-callable Permitted Investments that are described in clause (A) of the definition thereof, the principal of and interest on which Permitted Investments when due will provide money that is sufficient in the opinion of an Independent Certified Public Accountant to pay all principal, prepayment premium, if any, and interest of such Series 2023 Installment Payments to their respective Series 2023 Installment Payment Dates, as the case may be; and

(c) provision shall have been made for paying all fees and expenses of the Trustee, then and in that event, if an opinion of Note Counsel is filed with the Trustee to the effect that the actions authorized by and taken pursuant to this Article IX shall not adversely affect the tax exempt status of the interest portion of the Series 2023 Installment Payments, the right, title and interest of the Authority herein and the obligations of the District hereunder shall, with respect to all or such portion of the Series 2023 Installment Payments as have been so provided for, thereupon cease, terminate, become void and be completely discharged and satisfied (except for the right of the

Trustee and the obligation of the District to have such moneys and such Permitted Investments applied to the payment of such Series 2023 Installment Payments).

In such event, upon request of the District, the Trustee shall cause an accounting for such period or periods as may be requested by the District to be prepared and filed with the District and shall execute and deliver to the District all such instruments as may be necessary or desirable to evidence such total or partial discharge and satisfaction, as the case may be, and, in the event of a total discharge and satisfaction, the Trustee shall pay over to the District, after payment of all amounts due the Trustee pursuant to the Indenture, as an overpayment of Series 2023 Installment Payments, all such moneys or such Permitted Investments held by it pursuant hereto, other than such moneys and such Permitted Investments as are required for the payment or prepayment of the Series 2023 Installment Payments, which moneys and Permitted Investments shall continue to be held by the Trustee in trust for the payment of the Series 2023 Installment Payments and shall be applied by the Trustee to the payment of the Series 2023 Installment Payments of the District.

ARTICLE X

MISCELLANEOUS

Section 10.01. Liability Limited. Notwithstanding anything contained herein, but subject to the priority of payment with respect to Operation and Maintenance Costs, the District shall not be required to advance any moneys derived from any source other than Revenues, the Revenue Fund and the other moneys pledged hereunder whether for the payment of the Series 2023 Installment Payments or for any of the purposes herein mentioned. Nevertheless, the District may, but shall not be required to advance for any such purpose any funds of the District which may be made available for such purpose.

The obligation of the District to make the Series 2023 Installment Payments is a special obligation of the District payable from the Net Revenues and does not constitute a debt of the District or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

Section 10.02. Benefits of Installment Purchase Agreement Limited to Parties. Nothing contained herein, expressed or implied, is intended to give to any person other than the District or the Authority any right, remedy or claim under or pursuant hereto, and any agreement or covenant that is required herein to be performed by or on behalf of the District or the Authority shall be for the sole and exclusive benefit of the other party.

Section 10.03. Successor Is Deemed Included in all References to Predecessor. Whenever either the District or the Authority is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the District or the Authority, and all agreements and covenants which are required hereby to be performed by or on behalf of the District or the Authority shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 10.04. Waiver of Personal Liability. No director, officer or employee of the District shall be individually or personally liable for the payment of the Series 2023 Installment Payments, but nothing contained herein shall relieve any director, officer or employee of the District from the performance of any official duty provided by any applicable provisions of law or hereby.

Section 10.05. Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to “Articles,” “Sections” and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof and the words “hereby,” “herein,” “hereof,” “hereto,” “herewith” and other words of similar import refer to the Installment Purchase Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

Section 10.06. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the District or the Authority shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof. The District and the Authority hereby declare that they would have executed the Installment Purchase Agreement, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 10.07. Assignment. The Installment Purchase Agreement and any rights hereunder may be assigned by the Authority, as a whole or in part, without the necessity of obtaining the prior consent of the District. In addition to the rights and remedies assigned by the Authority to the Trustee, to the extent that the Indenture and the Installment Purchase Agreement confer upon or give or grant to the Trustee any right, remedy or claim under or by reason of the Indenture or the Installment Purchase Agreement, the Trustee is hereby explicitly recognized as being a third party beneficiary hereunder and may enforce any such right, remedy or claim conferred given or granted.

Section 10.08. Net Contract. The Installment Purchase Agreement shall be deemed and construed to be a net contract, and the District shall pay absolutely net during the term hereof of the Series 2023 Installment Payments and all other payments required hereunder, free of any deductions and without abatement, diminution or set-off whatsoever.

Section 10.09. California Law. THE INSTALLMENT PURCHASE AGREEMENT SHALL BE CONSTRUED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

Section 10.10. Notices. All written notices to be given hereunder shall be given by mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other party in writing from time to time, namely:

If to the District: San Bernardino Valley Municipal Water District
380 E Vanderbilt Way
San Bernardino, CA 92408
Attention: General Manager
Email: heatherd@sبvmwd.com

If to the Authority: Upper Santa Ana River Watershed Infrastructure Financing Authority
c/o San Bernardino Valley Municipal Water District
380 E Vanderbilt Way
San Bernardino, CA 92408
Attention: Executive Director
Email: heatherd@sbsvmwd.com

If to the Trustee: U.S. Bank Trust Company, National Association
633 West Fifth Street, 24th Floor
Los Angeles, California 90071
Attn: Global Corporate Trust
Facsimile: (213) 615-6197

Section 10.11. Effective Date. The Installment Purchase Agreement shall become effective upon its execution and delivery, and shall terminate when the Purchase Price shall have been fully paid (or provision for the payment thereof shall have been made to the written satisfaction of the Authority).

Section 10.12. Execution in Counterparts. The Installment Purchase Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

Section 10.13. Indemnification of Authority. The District hereby agrees to indemnify and hold harmless the Authority and its assigns and its officers and directors if and to the extent permitted by law, from and against all claims, advances, damages and losses, including legal fees and expenses, arising out of or in connection with the acceptance or the performance of its duties hereunder and under the Indenture; provided that no indemnification will be made for willful misconduct, negligence or breach of an obligation hereunder or under the Indenture by the Authority.

Section 10.14. Amendments Permitted.

(a) This Installment Purchase Agreement and the rights and obligations of the Authority and the District and of the Owners of the 2023 Obligations and of the Trustee may be modified or amended at any time by a written amendment hereto executed by the Authority and the District which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the 2023 Obligations then Outstanding, exclusive of 2023 Obligations disqualified as provided in Section 11.09 of the Indenture. No such modification or amendment may: (1) extend the fixed maturity of any 2023 Obligations, or reduce the amount of principal thereof or premium (if any) thereon, or extend the time of payment, or change the rate of interest or the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each 2023 Note so affected; or (2) reduce the aforesaid percentage of 2023 Obligations the consent of the Owners of which is required to affect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Installment Purchase Agreement prior to or on a parity with the lien created by the Installment Purchase Agreement except as permitted herein, or deprive the Owners of the 2023 Obligations of the lien created by the Indenture on such Revenues and other assets except as permitted herein, without the consent of the Owners of all of the 2023 Obligations then Outstanding.

(b) This Installment Purchase Agreement and the rights and obligations of the Authority and the District and of the Owners of the 2023 Obligations may also be modified or amended at any time by a written amendment hereto executed by the Authority and the District which shall become binding upon adoption, without the consent of the Owners of any 2023 Obligations, but only to the extent permitted by law and only for any one or more of the following purposes: (1) to add to the covenants and agreements of the District contained in the Installment Purchase Agreement other covenants and agreements thereafter to be observed, to pledge or assign additional security for the 2023 Obligations (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the District; (2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Installment Purchase Agreement, or in regard to matters or questions arising under the Installment Purchase Agreement, as the District may deem necessary or desirable; and (3) to modify, amend or supplement the Installment Purchase Agreement in such manner as to cause interest on the Bonds to remain excludable from gross income for federal income tax purposes under the Code or the exemption of such interest from State personal income taxes. No amendment without consent of the Owners may modify any of the rights or obligations of the Trustee without the written consent thereto.

IN WITNESS WHEREOF, the parties hereto have executed and attested this Installment Purchase Agreement by their officers thereunto duly authorized as of the day and year first written above.

SAN BERNARDINO VALLEY MUNICIPAL
WATER DISTRICT

By: _____
President of San Bernardino Valley Municipal
Water District

ATTEST:

Secretary of San Bernardino Valley Municipal Water District

UPPER SANTA ANA RIVER WATERSHED
INFRASTRUCTURE FINANCING AUTHORITY

By: _____
Chair

ATTEST:

Secretary

EXHIBIT A

DESCRIPTION OF THE 2023 PROJECT

<i>Component</i>	<i>Estimated Capital Cost</i>
Enhanced Recharge Phase 1B	\$
Enhanced Recharge Phase 1A Liner	

DESCRIPTION OF THE 2011 PROJECT

The 2011 Project comprises the following:

- Refurbishment of existing Baseline Feeder Project well
- Abandonment of existing Baseline Feeder Project well
- Construction of two additional Baseline Feeder Project wells
- Installation of up to five flow control valves
- Working capital related to the Baseline Feeder Project

EXHIBIT B

PURCHASE PRICE

1. The principal amount of payments to be made by the District hereunder is \$_____.

2. The Series 2023 Installment Payments of principal and interest attributable to the 2023A Notes are payable in the amounts and on the Series 2023 Installment Payment Dates as follows:

<i>Series 2023 Installment Payment Dates</i>	<i>Amount Attributable to Principal</i>	<i>Amount Attributable to Interest</i>	<i>Total</i>
	\$	\$	\$

TOTAL \$ \$ \$

3. The Series 2023 Installment Payments of principal and interest attributable to the 2023B Bonds are payable in the amounts and on the Series 2023 Installment Payment Dates as follows:

<i>Series 2023 Installment Payment Dates</i>	<i>Amount Attributable to Principal</i>	<i>Amount Attributable to Interest</i>	<i>Total</i>
	\$	\$	\$
TOTAL	\$	\$	\$

EXHIBIT C

FORM OF SUBSTITUTION STATEMENT

Upper Santa Ana River Watershed Infrastructure Financing Authority
c/o San Bernardino Valley Municipal Water District
380 E Vanderbilt Way
San Bernardino, CA 92408
Attention: Executive Director

U.S Bank National Association
633 West Fifth Street, 24th Floor
Los Angeles, California 90071
Attn: Global Corporate Trust Services
Reference: Upper Santa Ana River Watershed Infrastructure Financing Authority, Series 2023A

The undersigned General Manager of the San Bernardino Valley Municipal Water District (the “District”) hereby states pursuant to Section 3.02 of the Installment Purchase Agreement, dated as of May 1, 2023, by and between Upper Santa Ana River Watershed Infrastructure Financing Authority and the District (the “Installment Purchase Agreement”) that each component of the 2023 Project (as such term is defined in the Installment Purchase Agreement) described in the first column of Exhibit A attached hereto, with an estimated cost set forth in the second column of Exhibit A, will be replaced by the corresponding improvement described in the third column of Exhibit A with an estimated cost set forth in the fourth column of Exhibit A.

Dated: _____, 20__

General Manager

EXHIBIT A

<i>Components of 2023 Project to be Replaced</i>	<i>Cost of Each Components of 2023 Project to be Replaced</i>	<i>Improvements to be Substituted</i>	<i>Cost of Each Improvement to be Substituted</i>
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EXHIBIT D

FORM OF REQUISITION FROM ACQUISITION FUND

\$ _____

UPPER SANTA ANA RIVER WATERSHED INFRASTRUCTURE FINANCING AUTHORITY
INTERIM NOTES, SERIES 2023A

**REQUISITION NO. _ FOR
DISBURSEMENT FROM INTERIM NOTE ACQUISITION FUND**

The undersigned hereby states and certifies:

(i) that the undersigned is the duly appointed, qualified and acting General Manager of the San Bernardino Valley Municipal Water District, a municipal water district that is organized and existing under the Constitution and laws of the State of California (the “District”), and as such, is familiar with the facts herein certified and is authorized to certify the same;

(ii) that, pursuant to Section 3.06 of that certain Installment Purchase Agreement, dated as of May 1, 2023 (the “Installment Purchase Agreement”), by and between the Upper Santa Ana River Watershed Infrastructure Financing Authority and the District, the undersigned hereby requests the Treasurer to disburse on this date the following amounts from the Interim Note Acquisition Fund established under the Installment Purchase Agreement relating to the above-captioned obligations, to the payees designated on the attached Exhibit A;

(iii) that each obligation mentioned herein has been incurred by the District and is a proper charge against the Interim Note Acquisition Fund;

(iv) that any compliance activities required under the California Environmental Quality Act, as amended (Division 13 of the California Public Resources Code), prior to the expenditure of such amount for the purpose set forth on the attached Exhibit A have been completed and are final; and

(v) that there has not been filed with or served upon the District notice of any lien, right to lien or attachment upon any of the moneys payable to any of the payees named on the attached Exhibit A, which has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen’s or mechanics’ liens accruing by mere operation of law.

Dated: _____, 20__

SAN BERNARDINO VALLEY MUNICIPAL
WATER DISTRICT

By: _____
General Manager

EXHIBIT A

INTERIM NOTE ACQUISITION FUND DISBURSEMENTS

<i>Item Number</i>	<i>Payee Name and Address</i>	<i>Purpose of Obligation</i>	<i>Amount</i>
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\$ _____
**UPPER SANTA ANA RIVER
WATERSHED INFRASTRUCTURE
FINANCING AUTHORITY
INTERIM NOTES (SAN BERNARDINO
VALLEY MUNICIPAL WATER
DISTRICT), SERIES 2023A**

\$ _____
**UPPER SANTA ANA RIVER
WATERSHED INFRASTRUCTURE
FINANCING AUTHORITY
REFUNDING REVENUE BONDS (SAN
BERNARDINO VALLEY MUNICIPAL
WATER DISTRICT), SERIES 2023B**

PURCHASE CONTRACT

_____, 2023

Upper Santa Ana River Watershed Infrastructure Financing Authority
380 E Vanderbilt Way
San Bernardino, California 92408

San Bernardino Valley Municipal Water District
380 E Vanderbilt Way
San Bernardino, California 92408

Ladies and Gentlemen:

The undersigned, Citigroup Global Markets Inc. (the “Underwriter”), acting on behalf of itself, and not as an agent or representative of you, offers to enter into this Purchase Contract (the “Purchase Contract”) with the San Bernardino Valley Municipal Water District (the “District”) and the Upper Santa Ana River Watershed Infrastructure Financing Authority (the “Authority”). Upon the District’s and the Authority’s acceptance, this Purchase Contract will be binding upon the District and the Authority and upon the Underwriter. This offer is made subject to the District’s and the Authority’s written acceptance hereof on or before 11:59 p.m., California time, on the date hereof, or such other time as the parties hereto mutually agree upon in writing and, if not so accepted, will be subject to withdrawal by the Underwriter upon written notice (by telecopy or otherwise) delivered to the District and the Authority at any time prior to the acceptance hereof by the District and the Authority. Capitalized terms used herein not otherwise defined shall have meanings ascribed to such terms in the hereinafter referenced Indenture.

1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase and the Authority hereby agrees to cause the sale and delivery to the Underwriter, of all (but not less than all) of (a) the Authority’s \$_____ aggregate principal amount of Interim Notes (San Bernardino Valley Municipal Water District), Series 2023A (the “2023A Notes”) and (b) the Authority’s \$_____ Refunding Revenue Bonds (San Bernardino Valley Municipal Water District), Series 2023B (the “2023B Bonds” and, together with the 2023A Notes, the “Obligations”). The Obligations shall be substantially in the form described in, shall be issued and secured under the provisions of, and shall be payable as provided in the Indenture of Trust,

dated as of May 1, 2023 (the “Indenture”), by and between the Authority and U.S. Bank Trust Company, National Association, as trustee thereunder (the “Trustee”).

The Obligations shall be dated the date of delivery thereof and shall mature and bear interest at the rates and on the dates set forth on Schedule A hereto.

The purchase price for the 2023A Notes shall be \$_____, (representing the aggregate principal amount of the 2023A Notes of \$_____, [plus/less] an original issue [premium/discount] of \$_____, less an Underwriter’s discount of \$_____). The purchase price for the 2023B Bonds shall be \$_____, (representing the aggregate principal amount of the 2023B Bonds of \$_____, [plus/less] an original issue [premium/discount] of \$_____, less an Underwriter’s discount of \$_____).

The 2023A Notes are being issued to provide funds to (i) acquire certain capital improvements, (ii) capitalize interest with respect to the 2023A Notes and (iii) pay the costs of issuance for the 2023A Notes. The 2023B Bonds are being issued to provide funds to (i) refund the District’s currently outstanding Revenue Certificates of Participation, Series 2011A and (ii) pay the costs of issuance for the 2023B Bonds.

2. Closing. At 8:00 A.M., California time, on _____ __, 2023 or on such other date as may be mutually agreed upon by the District, the Authority and the Underwriter (the “Closing Date”), the Authority, subject to the terms and conditions hereof, will cause the sale and delivery of the Obligations to the Underwriter, duly executed, together with the other documents hereinafter mentioned, and, subject to the terms and conditions hereof, the Underwriter will accept such delivery and pay the purchase price of the Obligations as set forth in Section 1 hereof in immediately available funds (such delivery and payment being herein referred to as the “Closing”). Sale, delivery and payment as aforesaid shall be made at the offices of Stradling, Yocca Carlson & Rauth, a Professional Corporation (“Bond Counsel”) in Newport Beach, California, or at such other place as shall have been mutually agreed upon by the District and the Underwriter, except that the Obligations shall be delivered to the Underwriter via F.A.S.T. delivery through the book entry system of The Depository Trust Company.

3. Offering. It shall be a condition to the District’s obligation to cause the sale and delivery of the Obligations to the Underwriter and to the Underwriter’s obligation to purchase, accept delivery of and pay for the Obligations that the entire \$_____ aggregate principal amount of the Obligations shall be executed, sold and delivered by the Authority and purchased, accepted and paid for by the Underwriter at the Closing.

4. Establishment of Issue Price.

(a) The Underwriter agrees to assist the Authority in establishing the issue price of the Obligations and shall execute and deliver to the Authority at Closing an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A-1 or Exhibit A-2, as applicable, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the District, the Authority and Bond Counsel, to accurately reflect, as applicable,

the sales price or prices or the initial offering price or prices to the public of the Obligations. All actions to be taken by the Authority under this section to establish the issue price of the Obligations may be taken on behalf of the Authority's municipal advisor identified herein and any notice or report to be provided to the District may be provided to the District's municipal advisor.

(b) Except as otherwise set forth in Schedule A attached hereto, the Authority will treat the first price at which 10% of each maturity of the Obligations (the "10% test") is sold to the public as the issue price of that maturity. At or promptly after the execution of this Purchase Contract, the Underwriter shall report to the Authority the price or prices at which the Underwriter has sold to the public each maturity of Obligations.

(c) The Underwriter confirms that it has offered the Obligations to the public on or before the date of this Purchase Contract at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in Exhibit A attached hereto, except as otherwise set forth therein. Schedule A also sets forth, as of the date of this Purchase Contract, the maturities, if any, of the Obligations for which the 10% test has not been satisfied and for which the Authority and the Underwriter agree that the restrictions set forth in the next sentence shall apply, which will allow the Authority to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the "hold-the-offering-price rule"). So long as the hold-the-offering-price rule remains applicable to any maturity of the Obligations, the Underwriter will neither offer nor sell unsold Obligations of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the Underwriter has sold at least 10% of that maturity of the Obligations to the public at a price that is no higher than the initial offering price to the public.

The Underwriter will advise the Authority promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Obligations to the public at a price that is no higher than the initial offering price to the public.

(d) The Underwriter confirms that:

(i) any selling group agreement and each third-party distribution agreement (to which the Underwriter is a party) relating to the initial sale of the Obligations to the public, together with the related pricing wires, contains or will contain language obligating, each dealer who is a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable:

(A)(i) to report the prices at which it sells to the public the unsold Obligations of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Obligations of that maturity allocated to it have been sold or it is notified

by the Underwriter that the 10% test has been satisfied as to the Obligations of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter, and (ii) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter and as set forth in the related pricing wires, and

(B) to promptly notify the Underwriter of any sales of Obligations that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Obligations to the public (each such term being used as defined below), and

(C) to acknowledge that, unless otherwise advised by the dealer or broker-dealer, the Underwriter shall assume that each order submitted by the dealer or broker-dealer is a sale to the public.

(ii) any selling group agreement relating to the initial sale of the Obligations to the public, together with the related pricing wires, contains or will contain language obligating each dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Obligations to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Obligations of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Obligations of that maturity allocated to it have been sold or it is notified by the Underwriter or the dealer that the 10% test has been satisfied as to the Obligations of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter or the dealer, and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter or the dealer and as set forth in the related pricing wires.

(e) The Authority acknowledges that, in making the representations set forth in this section, the Underwriter will rely on (i) in the event a selling group has been created in connection with the initial sale of the Obligations to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Obligations, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Obligations, as set forth in a selling group agreement and the related pricing wires, and (ii) in the event that an Underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Obligations to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Obligations, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Obligations, as set forth in the third-party distribution agreement and the related pricing wires. The Authority further acknowledges that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Obligations,

including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Obligations.

(f) The Underwriter acknowledges that sales of any Obligations to any person that is a related party to an underwriter participating in the initial sale of the Obligations to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(i) “public” means any person other than an underwriter or a related party,

(ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Obligations to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Obligations to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Obligations to the public),

(iii) a purchaser of any of the Obligations is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) “sale date” means the date of execution of this Purchase Contract by all parties.

5. Use and Preparation of Documents.

(a) *Preliminary Official Statement.* The Authority has delivered or caused to be delivered to the Underwriter prior to the execution of this Purchase Contract, the Preliminary Official Statement dated _____, 2023 relating to the Obligations (the “Preliminary Official Statement”) in “designated electronic format” (as defined in Rule G-32 of the Municipal Securities Rulemaking Board (the “MSRB”). Such Preliminary Official Statement is the official statement deemed final by the District and the Authority for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934 (the “Rule”) and approved for distribution by the Underwriter by resolutions of the governing boards of the District and the Authority, respectively. The District and the Authority hereby ratify and confirm their authorization of the use of the Preliminary Official Statement by the Underwriter before the date hereof.

(b) *Final Official Statement.* Within seven (7) business days from the date hereof, and in any event not later than two (2) business day before the Closing Date, the District shall deliver or cause to be delivered by the Authority to the Underwriter a final Official Statement dated the date hereof (including the cover pages, the appendices thereto and all information incorporated therein by reference, the “Official Statement”), executed on behalf of the Authority by one of its authorized representatives and in Appendix A thereto, executed on behalf of the District by one of its authorized representatives and in “designated electronic format” (as defined in Rule G-32 of the MSRB), and which shall include information permitted to be omitted from the Preliminary Official Statement by paragraph (b)(1) of the Rule and with such other amendments or supplements as shall have been approved by the Authority, the District and the Underwriter, to permit the Underwriter to comply with the Rule and the rules of the MSRB and to meet potential customer requests for copies of the Official Statement. Electronic copies of the Official Statement shall be filed and posted on the MSRB’s Electronic Municipal Market Access System (“EMMA”) in connection with the offer and sale of the Obligations as provided herein (an “EMMA Filing”). The Authority and the District hereby authorize the Underwriter to use and distribute in hard copy and/or electronic form the Preliminary Official Statement and the Official Statement and the information contained therein in connection with the offering and sale of the Obligations.

(c) *Continuing Disclosure Certificate.* To enable the Underwriter to comply with the Rule, the District will execute a Continuing Disclosure Certificate concurrently with issuance of the Obligations substantially in the form attached as Appendix F to the Official Statement (the “Continuing Disclosure Certificate”).

6. District Representations, Warranties and Agreements. The District hereby represents, warrants and agrees as follows:

(a) The District is a municipal water district duly organized and existing under and pursuant to the Constitution and laws of the State of California (the “State”), with full right, power and authority to (i) execute and perform its obligations under this Purchase Contract, the Installment Purchase Agreement, dated as of May 1, 2023, by and between the District and the Authority (the “Installment Purchase Agreement”), and the Continuing Disclosure Certificate (collectively, the “District Documents”) and (ii) to carry out and consummate the transactions contemplated by the District Documents, the Preliminary Official Statement and the Official Statement;

(b) By all necessary official action of the District prior to or concurrently with the acceptance hereof, the District has duly authorized and approved the execution, delivery and performance by the District of the obligations in connection with the issuance of the Obligations on its part contained in the District Documents and as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded, and when executed and delivered, each District Document will constitute the legally valid and binding obligation of the District enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or similar laws or equitable principles relating to or affecting creditors’ rights generally or by the exercise of judicial discretion in appropriate cases or by limitations on legal remedies against

public agencies in the State and the District is and will be on the Closing Date in compliance with the provisions of the District Documents;

(c) The District is not in default, nor has it been in default, as to principal or interest with respect to an obligation issued or secured by the District, and the District is not, in any manner which would materially adversely affect the transactions contemplated hereby and by the District Documents, in breach of or in default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States, or any applicable judgment or decree or under the District Documents or any trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the District is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute, in any manner which would materially adversely affect the transactions contemplated hereby and by the District Documents, a default or event of default under any such instrument; and the authorization, execution and delivery of the District Documents and compliance with the provisions of each of such agreements or instruments do not in any manner which would materially adversely affect the transactions contemplated by the District Documents, conflict with or constitute a breach of or default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States, or any applicable judgment, decree, license, permit, trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the District (or any of its officers in their respective capacities as such) is subject, or by which it or any of its properties is bound, nor will any such authorization, execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of its assets or properties or under the terms of any such law, regulation or instrument, except as may be provided by the District Documents;

(d) Except as may be described in the Preliminary Official Statement and the Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter that are required for the due authorization by or that would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the District of its obligations under the District Documents have been duly obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Obligations;

(e) No action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, is pending or, to the best knowledge of the District after due investigation, threatened (i) in any way questioning the corporate existence of the District or the titles of the officers of the District to their respective officers; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the issuance of any of the Obligations, or in any way contesting or affecting the validity of the Obligations or the District Documents or the consummation of the transactions contemplated thereby, or contesting the exclusion of the interest on the Obligations from gross income for federal income tax purposes or contesting the powers of the District to enter into the District Documents; or (iii) which may result in any material adverse change to the financial condition of the District or to the District's ability to pay installment payments to the Authority under and pursuant to the Installment Purchase Agreement

(the “Series 2023A Installment Purchase Payments”) when due, and there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iii) of this sentence;

(f) The District will not have outstanding any Bonds or Contracts or any obligations or indebtedness which are secured by or payable from Net Revenues on a basis that is on parity or senior to the Installment Purchase Agreement other than those disclosed in the Preliminary Official Statement and the Official Statement in APPENDIX A – “SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT – Other Outstanding Revenue Obligations”;

(g) Except as set forth in the Preliminary Official Statement and the Official Statement, there has not been any material adverse change since June 30, 2022 in the results of operations or financial condition of the District, the System or in the physical condition of the System, other than changes in the ordinary course of business which would not adversely affect the course of business or the operation of the System and which changes would not have a material adverse effect on the ability of the District to pay the Series 2023A Installment Payments;

(h) Between the date of this Purchase Contract and the Closing Date, the District will not, without the prior written consent of the Underwriter, offer or issue any bonds, notes or other obligations for borrowed money, or incur any material liabilities, directly or contingently secured by or payable from Net Revenues except as described in the Preliminary Official Statement and the Official Statement;

(i) The District will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (i) to qualify the Obligations for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (ii) to determine the eligibility of the Obligations for investment under the laws of such states and other jurisdictions and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the Obligations; provided, however, that the District shall not be required to qualify to do business or consent to service of process in connection with any such qualification or determination in any jurisdiction;

(j) Any certificate by any official of the District and delivered to the Underwriter shall be deemed to be a representation and warranty by the District to the Underwriter as to the statements made therein;

(k) The information with respect to the District contained in the Preliminary Official Statement, including but not limited to Appendix A thereto other than information permitted to be omitted from the deemed final Preliminary Official Statement under the Rule and except for information relating to The Depository Trust Company (“DTC”), its book-entry-only system, including information in Appendix E – “INFORMATION CONCERNING DTC” (the “Excluded Information”) (the “District Portion of the Preliminary Official Statement”), as of its date and as of the date hereof did not and does not, and the information with respect to the District contained in the Official Statement including but not limited to Appendix A thereto other

than the Excluded Information (the “District Portion of the Official Statement”), as of its date and at all times subsequent thereto, to and including the Closing Date, does not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(l) If, between the date of the Official Statement and the date which is 25 days following the end of the underwriting period (as defined herein), an event occurs that would cause the District Portion of the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading, the District will notify the Underwriter, and, if, in the opinion of the Underwriter or its counsel, such event requires the preparation and publication of a supplement or amendment to the District Portion of the Official Statement, the District will cooperate in the preparation of an amendment or supplement to the District Portion of the Official Statement in a form and manner approved by the Underwriter and shall pay all expenses thereby incurred. For the purposes of this subsection, between the date hereof and the Closing Date, the District will furnish such information with respect to itself as the Underwriter may from time to time reasonably request; provided that unless otherwise notified in writing, which may be in electronic form, by the Underwriter on or prior to the Closing Date, the District may assume that the “end of the underwriting period” for the Obligations for all purposes of this Purchase Contract and of the Rule is the Closing Date;

(m) If the information contained in the District Portion of the Official Statement is amended or supplemented pursuant to paragraph (l) hereof, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subparagraph) at all times subsequent thereto up to and including the date twenty-five (25) days after the end of the underwriting period, the District Portion of the Official Statement as so supplemented or amended (including any financial and statistical data contained therein) will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the information therein, in the light of the circumstances under which it was made, not misleading;

(n) For purposes of the Rule, the District has heretofore deemed final the District Portion of the Preliminary Official Statement prior to its use and distribution by the Underwriter, except for the information specifically permitted to be omitted by paragraph (b)(1) of the Rule;

(o) Except as otherwise disclosed in the Preliminary Official Statement and the Official Statement, the District has not previously failed to comply with any continuing disclosure obligation undertaken pursuant to the Rule in the last five years; and

(p) The District acknowledges and agrees that: (i) the Underwriter is not acting as a municipal advisor within the meaning of Section 15B of the Securities Exchange Act, as amended, (ii) the primary role of the Underwriter, as an underwriter, is to purchase securities, for resale to investors, in an arm’s length commercial transaction among the District, the Authority and the Underwriter and the Underwriter has financial and other interests that differ from those

of the District and, to the District's actual knowledge, that differ from the Authority; (iii) the Underwriter is acting solely as a principal and is not acting as a municipal advisor, financial advisor or fiduciary to the District, or, to the District's actual knowledge, to the Authority, and has not assumed any advisory or fiduciary responsibility to the District, or, to the District's actual knowledge, to the Authority, with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the District on other matters); (iv) the only obligations the Underwriter has to the District, or, to District's actual knowledge, to the Authority, with respect to the transaction contemplated hereby expressly are set forth in this Purchase Contract; and (v) the District consulted its own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent it has deemed appropriate.

7. Authority Representations, Warranties and Agreements. The Authority hereby represents, warrants and agrees as follows:

(a) The Authority is a public entity duly organized and existing under a Joint Exercise of Powers Agreement, dated July 20, 2021, among the District, the Yucaipa Valley Water District and the other parties thereto and under the Constitution and laws of the State, with full right, power and authority to (i) execute and perform its obligations under this Purchase Contract, the Installment Purchase Agreement and the Indenture (collectively, the "Authority Documents") and (ii) to carry out and consummate the transactions contemplated by the Authority Documents, the Preliminary Official Statement and the Official Statement;

(b) By all necessary official action of the Authority prior to or concurrently with the acceptance hereof, the Authority has duly authorized and approved the execution, delivery and performance by the Authority of the obligations in connection with the issuance of the Obligations on its part contained in the Authority Documents and as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded, and when executed and delivered, each Authority Document and the Obligations will constitute the legally valid and binding obligation of the Authority enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or similar laws or equitable principles relating to or affecting creditors' rights generally or by the exercise of judicial discretion in appropriate cases or by limitations on legal remedies against public agencies in the State and the Authority is and will be on the Closing Date in compliance with the provisions of the Authority Documents;

(c) The Authority is not in default, nor has it been in default, as to principal or interest with respect to an obligation issued or secured by the Authority, and the Authority is not, in any manner which would materially adversely affect the transactions contemplated hereby and by the Authority Documents, in breach of or in default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States, or any applicable judgment or decree or under the Authority Documents or any trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the Authority is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute, in any manner which

would materially adversely affect the transactions contemplated hereby and by the Authority Documents, a default or event of default under any such instrument; and the authorization, execution and delivery of the Authority Documents and compliance with the provisions of each of such agreements or instruments do not in any manner which would materially adversely affect the transactions contemplated by the Authority Documents, conflict with or constitute a breach of or default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States, or any applicable judgment, decree, license, permit, trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the Authority (or any of its officers in their respective capacities as such) is subject, or by which it or any of its properties is bound, nor will any such authorization, execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of its assets or properties or under the terms of any such law, regulation or instrument, except as may be provided by the Authority Documents;

(d) Except as may be described in the Preliminary Official Statement and the Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter that are required for the due authorization by or that would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the Authority of its obligations under the Authority Documents have been duly obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Obligations;

(e) No action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, is pending or, to the best knowledge of the Authority after due investigation, threatened (i) in any way questioning the corporate existence of the Authority or the titles of the officers of the Authority to their respective officers; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the issuance of any of the Obligations, or in any way contesting or affecting the validity of the Obligations or the Authority Documents or the consummation of the transactions contemplated thereby, or contesting the exclusion of the interest on the Obligations from gross income for federal income tax purposes or contesting the powers of the Authority to enter into the Authority Documents; or (iii) which may result in any material adverse change to the financial condition of the Authority or to its ability to pay principal of or interest on the Obligations when due, and there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iii) of this sentence;

(f) The Authority will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (i) to qualify the Obligations for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (ii) to determine the eligibility of the Obligations for investment under the laws of such states and other jurisdictions and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the Obligations; provided,

however, that the Authority shall not be required to qualify to do business or consent to service of process in connection with any such qualification or determination in any jurisdiction;

(g) Any certificate by any official of the Authority and delivered to the Underwriter shall be deemed to be a representation and warranty by the Authority to the Underwriter as to the statements made therein;

(h) The information with respect to the Authority contained in the Preliminary Official Statement, excluding Appendix A thereto and other than the Excluded Information (the “Authority Portion of the Preliminary Official Statement”), as of its date and as of the date hereof did not and does not, and the information with respect to the Authority contained in the Official Statement, excluding Appendix A thereto and other than the Excluded Information (the “Authority Portion of the Official Statement”), as of its date and at all times subsequent thereto, to and including the Closing Date, does not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(i) If, between the date of the Official Statement and the date which is 25 days following the end of the underwriting period (as defined herein), an event occurs that would cause the information contained in the Authority Portion of the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading, the Authority will notify the Underwriter, and, if, in the opinion of the Underwriter or its counsel, such event requires the preparation and publication of a supplement or amendment to the Authority Portion of the Official Statement, the Authority will cooperate in the preparation of an amendment or supplement to the Authority Portion of the Official Statement in a form and manner approved by the Underwriter and shall pay all expenses thereby incurred. For the purposes of this subsection, between the date hereof and the Closing Date, the Authority will furnish such information with respect to itself as the Underwriter may from time to time reasonably request; provided that unless otherwise notified in writing, which may be in electronic form, by the Underwriter on or prior to the Closing Date, the District may assume that the “end of the underwriting period” for the Obligations for all purposes of this Purchase Contract and of the Rule is the Closing Date;

(j) If the information contained in the Authority Portion of the Official Statement is amended or supplemented pursuant to paragraph (l) hereof, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subparagraph) at all times subsequent thereto up to and including the date twenty-five (25) days after the end of the underwriting period, the Authority Portion of the Official Statement as so supplemented or amended (including any financial and statistical data contained therein) will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the information therein, in the light of the circumstances under which it was made, not misleading;

(k) For purposes of the Rule, the Authority has heretofore deemed final the Preliminary Official Statement prior to its use and distribution by the Underwriter, except for the information specifically permitted to be omitted by paragraph (b)(1) of the Rule;

(l) The Authority has not entered into any prior continuing disclosure obligations undertaken pursuant to the Rule; and

(m) The Authority acknowledges and agrees that: (i) the Underwriter is not acting as a municipal advisor within the meaning of Section 15B of the Securities Exchange Act, as amended, (ii) the primary role of the Underwriter, as an underwriter, is to purchase securities, for resale to investors, in an arm's length commercial transaction among the District, the Authority and the Underwriter and the Underwriter has financial and other interests that differ from those of the Authority, and, to the Authority's actual knowledge, that differ from the District; (iii) the Underwriter is acting solely as a principal and is not acting as a municipal advisor, financial advisor or fiduciary to the Authority or, to the Authority's actual knowledge, to the District and has not assumed any advisory or fiduciary responsibility to the Authority, or, to the Authority's actual knowledge, to the District, with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the Authority on other matters); (iv) the only obligations the Underwriter has to the Authority or, to the Authority's actual knowledge, to the District, with respect to the transaction contemplated hereby expressly are set forth in this Purchase Contract; and (v) the Authority has consulted its own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent it has deemed appropriate.

8. Closing Conditions. The Underwriter has entered into this Purchase Contract in reliance upon the representations, warranties and agreements of the District and the Authority contained herein and in the District Documents and the Authority Documents and in reliance upon the representations, warranties and agreements to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the District and the Authority of their obligations hereunder, both as of the date hereof and as of the Closing Date. Accordingly, the Underwriter's obligations under this Purchase Contract to purchase, to accept delivery of and to pay for the Obligations shall be conditioned, at the option of the Underwriter upon the performance by the District and the Authority of their obligations to be performed hereunder and under such documents and instruments at or prior to the Closing and also shall be subject to the following additional conditions:

(a) The Underwriter shall have received two copies of the Official Statement, manually signed by an authorized officer of the Authority, including Appendix A signed by an authorized officer of the District, and any amendments or supplements as have been approved by the Underwriter;

(b) The representations and warranties of the District contained herein shall be true, complete and correct on and as of the date hereof and on and as of the Closing Date, as if made on the Closing Date;

(c) The representations and warranties of the Authority contained herein shall be true, complete and correct on and as of the date hereof and on and as of the Closing Date, as if made on the Closing Date;

(d) At the time of the Closing, the District Documents and the Authority Documents shall have been duly authorized, executed and delivered by the respective parties thereto, all in substantially the forms heretofore submitted to the Underwriter, with only such changes as shall have been agreed to in writing by the Underwriter, and the Authority Portion of the Official Statement shall have been duly authorized, executed and delivered by the Authority and the District Portion of the Official Statement shall have been duly authorized, executed and delivered by the District, in each case in substantially the forms submitted to the Underwriter prior to the Closing Date as provided herein, with only such changes as shall have been agreed to in writing by the Underwriter, and the District Documents and the Authority Documents shall be in full force and effect; and there shall be in full force and effect such resolution of the Board of Directors of the District (the “District Resolution”) and the resolution of the Board of Directors of the Authority (the “Authority Resolution”) as, in the opinion of Bond Counsel, shall be necessary or appropriate in connection with the transactions contemplated hereby;

(e) Between the date hereof and the Closing Date, the market price or marketability, or the ability of the Underwriter to enforce contracts for the sale, at the initial offering price set forth in the Official Statement, of the Obligations shall not have been materially adversely affected in the reasonable judgment of the Underwriter (evidenced by a written notice to the District and the Authority terminating the obligation of the Underwriter to accept delivery of and make any payment for the Obligations) by reason of any of the following:

(1) an amendment to the Constitution of the United States or the State shall have been passed or legislation shall have been introduced in or enacted by the Congress of the United States or the legislature of any state having jurisdiction of the subject matter, or legislation pending in the Congress of the United States shall have been amended or legislation shall have been recommended to the Congress of the United States or to any state having jurisdiction of the subject matter or otherwise endorsed for passage (by press release, other form of notice or otherwise) by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or legislation shall have been proposed for consideration by either such Committee by any member thereof or presented as an option for consideration by either such Committee by the staff of such Committee or by the staff of the Joint Committee on Taxation of the Congress of the United States, or legislation shall have been favorably reported for passage to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or a decision shall have been rendered by a court of the United States or of the State of California or the Tax Court of the United States, or a ruling shall have been made or a regulation or temporary regulation shall have been proposed or made, or any other release or announcement shall have been

made by the Treasury Department of the United States, the Internal Revenue Service or other federal or State authority with respect to federal or State taxation upon revenues or other income of the general character to be derived by the District or upon interest received on obligations of the general character of the Obligations that, in the reasonable judgment of the Underwriter, materially and adversely affects the tax status of the District, its property or income, its securities (including the Obligations) or the interest thereon, or any tax exemption granted or authorized by State legislation;

(2) legislation enacted, introduced in the Congress or recommended for passage by the President of the United States, or a decision rendered by a court established under Article III of the Constitution of the United States or by the Tax Court of the United States, or an order, ruling, regulation (final, temporary or proposed) or official statement issued or made by or on behalf of the Securities and Exchange Commission or by any other governmental agency having jurisdiction of the subject matter shall have been made or issued to the effect that obligations of the general character of the Obligations, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the Indenture is not exempt from qualification under the Trust Indenture Act of 1939, as amended;

(3) there shall have occurred any new outbreak or escalation of hostilities, declaration by the United States of or any escalation of a national emergency or war, the occurrence of terrorism or other calamity or crisis in financial markets;

(4) the declaration of a general banking moratorium by federal, New York or California authorities, or a major financial crisis or a material disruption in commercial banking or securities settlement or clearances services shall have occurred or the general suspension of trading on any national securities exchange;

(5) the imposition by the New York Stock Exchange or other national securities exchange or any governmental authority of any material restrictions not now in force with respect to the Obligations or obligations of the general character of the Obligations or securities generally or the material increase of any such restrictions now in force, including those relating to the extension of credit by or the charge to the net capital requirements of, the Underwriter;

(6) an order, decree or injunction of any court of competent jurisdiction or order, ruling, regulation or official statement by the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Obligations or the issuance, offering or sale of the Obligations, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws as amended and then in effect;

(7) the withdrawal or downgrading of any rating of the Obligations or other debt securities of the District or the Authority by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), or any formal statement shall be published, such as being placed on "credit watch" with negative implications or "negative outlook" or similar qualification, with respect to the Obligations or other debt securities of the District or the Authority;

(8) any event occurring, or information becoming known that, in the judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Official Statement or has the effect that the Official Statement contains any untrue statement of material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; or

(9) any litigation or proceedings shall be pending or threatened contesting the completeness or accuracy of the Official Statement or any supplement or amendment thereto or asserting that the Official Statement contained any untrue statement of material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which there were made, not misleading.

(f) At or prior to the Closing Date, the Underwriter shall have received the following documents, in each case satisfactory in form and substance to the Underwriter:

(1) the Authority Portion of the Official Statement and each supplement or amendment, if any, thereto executed on behalf of the Authority by a duly authorized officer of the Authority;

(2) the District Portion of the Official Statement and each supplement or amendment, if any, thereto executed on behalf of the District by a duly authorized officer of the District;

(3) two copies of each of the District Documents, each duly executed and delivered by the respective parties thereto;

(4) two copies of each of the Authority Documents, each duly executed and delivered by the respective parties thereto;

(5) the approving opinion of Bond Counsel, dated the Closing Date and addressed to the Authority, in the form attached as Appendix D to the Official Statement, and a letter of such counsel, dated the Closing Date and addressed to the Underwriter, to the effect that such opinion may be relied upon by the Underwriter to the same extent as if such opinion were addressed to it;

(6) a supplemental opinion of Bond Counsel addressed to the Underwriter, substantially in the form attached hereto as Exhibit B;

(7) the opinion of Varner Brandt LLP, counsel to the District, dated the Closing Date and addressed to the Underwriter, in substantially the form attached hereto as Exhibit C;

(8) the opinion of Varner Brandt LLP, counsel to the Authority, dated the Closing Date and addressed to the Underwriter, in substantially the form attached hereto as Exhibit D;

(9) a negative assurance letter of Stradling Yocca Carlson & Rauth, a Professional Corporation, disclosure counsel (“Disclosure Counsel”) dated the Closing Date and addressed to the Underwriter, substantially in the form attached hereto as Exhibit E;

(10) a letter of Hawkins Delafield & Wood LLP, Underwriter’s Counsel, dated the Closing Date and addressed to the Underwriter in form reasonably satisfactory to the Underwriter,

(11) a certificate of the District, dated the Closing Date, signed on behalf of the District by the General Manager or other duly authorized officer of the District to the effect that:

(i) the representation, warranties and covenants of the District contained in the Purchase Contract are true and correct in all material respects on and as of the Closing Date as if made on the Closing Date, and the District has complied with all of the terms and conditions of the Purchase Contract required to be complied with by the District at or prior to the Closing Date;

(ii) no event affecting the District has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement or amendment thereto which event should be disclosed in the Official Statement in order to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect except that such certificate need not include representations relating to the Excluded Information; and

(iii) no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute an event of default under the District Documents;

(12) a certificate of the Authority, dated the Closing Date, signed on behalf of the Authority by the Chair or the Vice Chair of the Board, the Executive

Director of the Authority or other duly authorized officer of the Authority to the effect that:

(i) the representations, warranties and covenants of the Authority contained in the Purchase Contract are true and correct in all material respects on and as of the Closing Date as if made on the Closing Date, and the Authority has complied with all of the terms and conditions of the Purchase Contract required to be complied with by the Authority at or prior to the Closing Date;

(ii) no event affecting the Authority has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement or amendment thereto which event should be disclosed in the Official Statement in order to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect except that such certificate need not include representations relating to the Excluded Information; and

(iii) no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute an event of default under the Authority Documents;

(13) a certified copy of the general resolution of the Trustee authorizing the execution and delivery of the Indenture and the issuance of the Obligations, together with a certificate to the effect that:

(i) the Trustee is a national banking association existing under the laws of the United States of America, having full corporate trust powers and authority to enter into and perform its duties under the Indenture;

(ii) the Trustee is duly authorized to enter into the Indenture and has duly executed and delivered the Indenture, and assuming due authorization and execution by the other parties thereto, the Indenture is legal, valid and binding upon the Trustee, and enforceable against the Trustee in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or similar laws or equitable principles relating to or affecting creditors' rights generally;

(iii) the Trustee has duly authenticated and delivered the Obligations under the Indenture to or upon the order of the Underwriter;

(iv) the Trustee's actions in executing and delivering the Indenture are in full compliance with and do not conflict with any applicable law or governmental regulation currently in effect and do not

conflict with or violate any contract to which the Trustee is a party or any administrative or judicial decision by which the Trustee is bound; and

(v) no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the banking or trust powers of the Trustee that has not been obtained is or will be required for the issuance of the Obligations or the consummation by the Trustee of its obligations under the Indenture;

(14) an opinion of counsel to the Trustee, dated the Closing Date and addressed to the Authority, the District and the Underwriter, to the effect that:

(i) the Trustee is a national banking association, duly organized and validly existing under the laws of the United States of America, and has full power and authority to accept and administer the trust created under the Indenture and to enter into the Indenture;

(ii) the Trustee has duly authenticated and delivered the Obligations in accordance with the Indenture and the order of the Authority;

(iii) the Trustee has duly authorized, executed and delivered the Indenture and the Indenture constitutes the legal, valid and binding obligations of the Trustee, enforceable in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting the rights of creditors generally;

(iv) except as may be required under any federal or state securities laws or regulations in connection with the initial purchase and distribution of the Obligations, no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Trustee is or will be required for the valid execution and delivery by the Trustee of the Indenture; and

(v) the Trustee's actions in executing and delivering the Indenture are in full compliance with, and do not conflict with any applicable law or governmental regulation and, to the best of such counsel's knowledge, after reasonable inquiry with respect thereto, do not conflict with or violate any contract to which the Trustee is a party or any administrative or judicial decision by which the Trustee is bound;

(15) certified copy of the District Resolution authorizing the execution and delivery of the District Documents and the District Portion of the Official Statement;

(16) certified copy of the Authority Resolution authorizing the execution and delivery of the Authority Documents and the Authority Portion of the Official Statement;

(17) evidence that ratings on the Obligations of [“__”] by S&P are in full force and effect on the Closing Date;

(18) a copy of any Blue Sky Memorandum with respect to the Obligations;

(19) evidence that the federal tax information form 8038-G has been prepared for filing;

(20) A copy of the Notices of Sale required to be delivered by the Authority to the California Debt and Investment Advisory Commission pursuant to Sections 8855(g) and 53583 of the California Government Code;

(21) a tax certificate in form satisfactory to Bond Counsel and the Underwriter;

(22) such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter, Bond Counsel or Underwriter’s counsel reasonably may request to evidence the truth and accuracy, as of the date hereof and as of the Closing Date, of the District’s and the Authority’s representations and warranties contained herein and of the statements and information contained in the Official Statement and of the due performance or satisfaction by the District, the Authority and the Trustee on or prior to the Closing Date of all material agreements then to be performed and conditions then to be satisfied by any of them in connection with the transactions contemplated hereby and by the Indenture.

If either the District or the Authority shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, accept delivery of and pay for the Obligations contained in this Purchase Contract or if the obligations of the Underwriter to purchase, accept delivery of and pay for the Obligations shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract and all obligations of the Underwriter hereunder may be terminated by the Underwriter at or at any time prior to the Closing Date by written notice to the Trustee, the Authority and the District, and none of the Underwriter, the Authority or the District shall have any further obligations hereunder.

9. Expenses.

(a) The Underwriter shall be under no obligation to pay, and the District shall pay, any expenses incident to the performance of the District’s and the Authority’s obligations hereunder, including but not limited to: (i) the cost of preparation, printing and distribution of the District Documents and the Authority Documents, the Preliminary Official Statement, the

Official Statement and any supplements or amendments thereto; (ii) the cost of preparing and printing the Obligations; (iii) the fees and disbursements of Bond Counsel, Disclosure Counsel and the fees and expenses of general counsel to the District and the Authority; (iv) the fees and disbursements of any engineers, accountants and other experts, consultants or advisors retained by the District; (v) fees for municipal bond ratings; (vi) Trustee fees; (vii) CUSIP Service Bureau fees and charges; and (viii) expenses (included in the expense component of the underwriting spread) incurred on behalf of District and Authority employees which are incidental to implementing this Purchase Contract, including, but not limited to, meals, transportation, and lodging of those employees, if any.

The Underwriter is required to pay fees to the CDIAC in connection with the offering of the Obligations. Notwithstanding that such fees are solely the legal obligation of the Underwriter, the District agrees to reimburse the Underwriter for such fees from proceeds of the Obligations.

(b) The Underwriter shall pay (from the expense component of the underwriting spread): (i) the cost of preparation and printing of any Blue Sky Memorandum; (ii) all advertising expenses and Blue Sky filing fees in connection with the public offering of the Obligations; and (iii) all other expenses incurred by the Underwriter in connection with the public offering of the Obligations, including the fees and disbursements of Underwriter's Counsel and the fees of Digital Assurance Certification, L.L.C. for a continuing disclosure undertaking compliance review in an amount not to exceed \$_____.

10. Notices. Any notice or other communication to be given to the District under this Purchase Contract may be given by delivering the same in writing to: San Bernardino Valley Municipal Water District, 380 E Vanderbilt Way, San Bernardino, California 92408, Attention: General Manager.

Any notice or other communication to be given to the Authority under this Purchase Contract may be given by delivering the same in writing to: Upper Santa Ana River Watershed Infrastructure Financing Authority, 380 E Vanderbilt Way, San Bernardino, California 92408, Attention: Executive Director

Any notice or other communication to be given to the Underwriter under this Purchase Contract may be given by delivering the same in writing to Citigroup Global Markets Inc., 300 South Grand Avenue, Suite 3110, Los Angeles, California 90071, Attention: Cameron Parks, Managing Director.

11. Parties in Interest. This Purchase Contract, when accepted by the District and the Authority, shall constitute the entire agreement between the District, the Authority and the Underwriter and is made solely for the benefit of the District, the Authority and the Underwriter (including the successors of the Underwriter). No other person shall acquire or have any right hereunder or by virtue hereof, except as provided herein. All of the District's and Authority's representations, warranties and agreements contained in this Purchase Contract shall remain operative and in full force and effect until the earlier of: (i) delivery of and payment for the

Obligations pursuant to this Purchase Contract; and (ii) any termination of this Purchase Contract.

12. Effectiveness and Counterpart Signatures. This Purchase Contract shall become effective upon the execution of the acceptance hereof by an authorized officer of the District and an authorized officer of the Authority and shall be valid and enforceable at the time of such acceptance. This Purchase Contract may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts together shall constitute but one and the same instrument. The parties further agree that facsimile signatures or signatures scanned into PDF format (or signatures in another electronic format designated by the District and the Authority) and sent by e-mail shall be deemed original signatures.

13. Headings. The headings of the sections of this Purchase Contract are inserted for convenience only and shall not be deemed to be a part hereof.

14. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions hereof.

15. No Assignment. The rights and obligations created by this Purchase Contract shall not be subject to assignment by the Underwriter, the Authority or the District without the prior written consent of the other party hereto.

16. GOVERNING LAW. THIS PURCHASE CONTRACT SHALL BE
CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

Very truly yours,

CITIGROUP GLOBAL MARKETS INC., as
Underwriter

By: _____

Title: Authorized Representative

Accepted:

UPPER SANTA ANA RIVER WATERSHED INFRASTRUCTURE FINANCING
AUTHORITY

By: _____

Title: Executive Director

SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT

By: _____

Title: General Manager

SCHEDULE A

\$ _____

**UPPER SANTA ANA RIVER WATERSHED INFRASTRUCTURE FINANCING
AUTHORITY
INTERIM NOTES (SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT),
SERIES 2023A**

Maturity Date (December 1)	Principal Amount	Interest Rate	Price	Yield	10% Test Used	Hold the Offering Price Rule Used
	\$	%		%		

^c Priced to the option redemption date of _____ 1, 20__ at _____.

\$ _____

**UPPER SANTA ANA RIVER WATERSHED INFRASTRUCTURE FINANCING
AUTHORITY
REFUNDING REVENUE BONDS (SAN BERNARDINO VALLEY MUNICIPAL
WATER DISTRICT), SERIES 2023B**

Maturity Date (July 1)	Principal Amount	Interest Rate	Price	Yield	10% Test Used	Hold the Offering Price Rule Used
	\$	%		%		

^C Priced to the option redemption date of _____ 1, 20__ at _____.

EXHIBIT A-1

FORM OF CERTIFICATE OF UNDERWRITER

(10% Rule Only)

ISSUE PRICE CERTIFICATE OF THE UNDERWRITER

\$ _____	\$ _____
UPPER SANTA ANA RIVER WATERSHED INFRASTRUCTURE FINANCING AUTHORITY INTERIM NOTES (SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT), SERIES 2023A	UPPER SANTA ANA RIVER WATERSHED INFRASTRUCTURE FINANCING AUTHORITY REFUNDING REVENUE BONDS (SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT), SERIES 2023B

The undersigned, on behalf of Citigroup Global Markets Inc. (the “Underwriter”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned notes and bonds (collectively, the “Obligations”).

THE UNDERSIGNED HEREBY CERTIFIES AS FOLLOWS:

1. *Authorization.* The undersigned is authorized to execute this certificate on behalf of the Underwriter.

2. *Sale of the Obligations.* As of the date of this certificate, for each Maturity of Obligations, the first price at which at least 10% of such Maturity of such Obligations was sold to the Public is the respective price listed in Schedule A.

3. *Defined Terms.*

(a) *Issuer* means the Upper Santa Ana River Watershed Infrastructure Financing Authority.

(b) *Maturity* means Obligations with the same credit and prepayment terms. Obligations with different maturity dates, or Obligations with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) *Public* means any person (including an individual, trust, estate, partnership, association, company or corporation) other than an Underwriter or a Related Party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) *Related Party* means if an Underwriter and such entity are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of

another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profits interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(e) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Obligations to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Obligations to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Obligations to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Underwriter's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate relating to the Obligations, to which this certificate is attached as an exhibit, and with respect to compliance with the federal income tax rules affecting the Obligations, and by Stradling, Yocca Carlson & Rauth, a Professional Corporation, as Bond Counsel, in connection with rendering its opinion that the interest on the Obligations is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Forms 8038 and 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Obligations. The certifications contained herein are not necessarily based on personal knowledge, but may instead be based on either inquiry deemed adequate by the undersigned or institutional knowledge (or both) regarding the matters set forth herein.

Dated: _____, 2023.

_____, as Underwriter

By: _____
Authorized Signatory

SCHEDULE A
SALE PRICES
(Attached)

EXHIBIT A-2

FORM OF CERTIFICATE OF THE UNDERWRITER
(10% Rule and Hold-the-Offering-Price Rule to Apply)

ISSUE PRICE CERTIFICATE OF THE UNDERWRITER

\$ _____	\$ _____
UPPER SANTA ANA RIVER WATERSHED INFRASTRUCTURE FINANCING AUTHORITY	UPPER SANTA ANA RIVER WATERSHED INFRASTRUCTURE FINANCING AUTHORITY
INTERIM NOTES (SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT), SERIES 2023A	REFUNDING REVENUE BONDS (SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT), SERIES 2023B

The undersigned, on behalf of Citigroup Global Markets Inc. (the “Underwriter”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned notes and bonds (collectively, the “Obligations”) issued by the Upper Santa Ana River Watershed Infrastructure Financing Authority (the “Issuer”).

THE UNDERSIGNED HEREBY CERTIFIES AS FOLLOWS:

1. The undersigned is authorized to execute this certificate on behalf of the Underwriter.

2. *Sale of the General Rule Maturities.* As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity of Obligations was sold to the Public is the respective price listed in Schedule A.

3. *Initial Offering Price of the Hold-the Offering-Price Maturities.*

(a) The Underwriter offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Obligations is attached to this certificate as Schedule B.

(b) As set forth in the Purchase Contract, dated _____, 2023, by and among the Underwriter, the Issuer and San Bernardino Valley Municipal Water District, the Underwriter has agreed in writing that (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the unsold Obligations of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. The Underwriter has not offered or sold any unsold Obligations of any Maturity of the Hold-the-Offering-Price

Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Obligations during the Holding Period.

4. *Defined Terms.*

(a) *General Rule Maturities* means those Maturities of the Obligations listed in Schedule A hereto as the “General Rule Maturities.”

(b) *Hold-the-Offering-Price Maturities* means those Maturities of the Obligations listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”

(c) *Holding Period* means, with respect to a Hold-the-Offering Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (_____, 2023), or (ii) the date on which the Underwriter has sold at least 10% of such Hold-the- Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) *Issuer* means the Upper Santa Ana River Watershed Infrastructure Financing Authority.

(e) *Maturity* means Obligations with the same credit and prepayment terms. Obligations with different maturity dates, or Obligations with the same maturity date but different stated interest rates, are treated as separate Maturities.

(f) *Public* means any person (including an individual, trust, estate, partnership, association, company or corporation) other than the Underwriter or a Related Party to the Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(i) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Obligations. The Sale Date of the Obligations is _____, 2023.

(j) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Obligations to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Obligations to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Obligations to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Underwriter’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate relating to the Obligations, to which this certificate is attached as an exhibit, and with respect to compliance with the federal income tax rules affecting the Obligations, and by Stradling, Yocca Carlson & Rauth, a Professional Corporation, as Bond Counsel, in connection

with rendering its opinion that the interest on the Obligations is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Forms 8038 and 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Obligations. The certifications contained herein are not necessarily based on personal knowledge, but may instead be based on either inquiry deemed adequate by the undersigned or institutional knowledge (or both) regarding the matters set forth herein.

Dated: _____, 2023.

CITIGROUP GLOBAL MARKETS INC., as
Underwriter

By: _____
Authorized Signatory

SCHEDULE A

SALE PRICES OF THE GENERAL RULE MATURITIES AND
INITIAL OFFERING PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES

(Attached)

SCHEDULE B
PRICING WIRE OR EQUIVALENT COMMUNICATION
(Attached)

SCHEDULE C

CERTIFICATES OF UNDERWRITING GROUP MEMBERS
ALLOCATED HOLD-THE-OFFERING-PRICE MATURITIES

EXHIBIT B

FORM OF SUPPLEMENTAL OPINION

Stradling Yocca Carlson & Rauth, a Professional Corporation, as Bond Counsel to the Authority, proposes to deliver an opinion in substantially the following form upon the initial issuance of the Obligations.

_____, 2023

Citigroup Global Markets Inc.
300 South Grand Avenue, Suite 3110
Los Angeles, CA 90071

Re: \$_____ Upper Santa Ana River Watershed Infrastructure Financing Authority Interim Notes (San Bernardino Valley Municipal Water District), Series 2023A and \$_____ Upper Santa Ana River Watershed Infrastructure Financing Authority Refunding Revenue Bonds (San Bernardino Valley Municipal Water District), Series 2023B

Ladies and Gentlemen:

We have acted as Bond Counsel to the Upper Santa Ana River Watershed Infrastructure Financing Authority (the “Authority”) in connection with the issuance and sale of Upper Santa Ana River Watershed Infrastructure Financing Authority Interim Notes (San Bernardino Valley Municipal Water District), Series 2023A in the aggregate principal amount of \$_____ (the “2023A Notes”) and Upper Santa Ana River Watershed Infrastructure Financing Authority Refunding Revenue Bonds (San Bernardino Valley Municipal Water District), Series 2023B (the “2023B Bonds” and, together with the 2023A Notes, the “Obligations”) in the aggregate principal amount of \$_____. All capitalized terms used herein and not otherwise defined herein shall have the respective meanings given to such terms in the Indenture of Trust, dated as of May 1, 2023 (the “Indenture”), by and between the Authority and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”). The Obligations have been authenticated by the Trustee pursuant to the terms of the Indenture.

On the date hereof, we delivered to the Authority an opinion relating to, among other things, the validity of the Obligations, the Indenture and the Installment Purchase Agreement. You are authorized to rely upon said opinion as if addressed to you.

Based upon the foregoing and our review of such other information, documents and matters of law as we considered necessary and in reliance on the foregoing, as appropriate, we are of the opinion that:

(i) the Official Statement, dated _____, 2023 (the “Official Statement”), relating to the Obligations and the Purchase Contract, dated _____, 2023 (the “Purchase Contract”), by and among Citigroup Global Markets Inc., as underwriter (the “Underwriter”), the Authority and the District, have each been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery of the Purchase Contract by the Underwriter, the Purchase Contract is a valid and binding agreement of the Authority, enforceable in accordance with its terms; and

(ii) the statements contained in the Official Statement on the cover page and under the captions (or captions containing such information) “INTRODUCTION,” “THE 2023 OBLIGATIONS,” “SECURITY FOR THE 2023 OBLIGATIONS,” “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES,” and “TAX MATTERS” and in the appendices entitled (or containing such information) “APPENDIX C – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” and “APPENDIX D – FORM OF OPINION OF BOND COUNSEL” thereto, insofar as such statements purport to summarize certain provisions of the Obligations, the Indenture, State law and Bond Counsel’s opinions concerning certain federal tax matters relating to the Obligations, are accurate, as of the date of the Official Statement and as of the date hereof.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the rights and obligations under the Purchase Contract, the Indenture and the Installment Purchase Agreement (collectively, the “Authority Documents”) and the Obligations are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or transfer and other similar laws affecting creditors’ rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California.

By delivering this letter, we are not expressing any opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the Authority Documents, the Obligations or any document referenced in the Official Statement, nor are we expressing any opinion with respect to the state or quality of title to or interest in any assets described in or as subject to the lien of the Authority Documents or the Obligations or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets under the Authority Documents or the Obligations. Our services as Bond Counsel to the District did not involve the rendering of financial or other non-legal advice to you, the District or any other party to the transaction

This letter is limited to matters governed by the laws of the State of California and federal law, and we assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction. Except as expressly set forth in the Approving Opinion, we express no opinion regarding any tax consequences with respect to the Obligations. We have not been engaged, nor have we undertaken, to advise any party or to opine as to any matters not

specifically covered herein, including, but not limited to, matters relating to compliance with any securities laws.

This opinion letter may be relied upon only by you and may not be circulated, quoted from or relied upon by any other party without our prior written consent. This letter is being furnished to you solely for your benefit in connection with your purchase of the Obligations and is not to be used, circulated, quoted or otherwise referred to for any other purpose without our prior written consent. No attorney-client relationship has existed or exists between our firm and you in connection with the issuance of the Obligations or by virtue of this letter. We note you were represented by separate counsel retained by you in connection with the transaction described in the Official Statement.

Our engagement with respect to the Obligations terminates as of the date hereof, and we have not undertaken any duty, and expressly disclaim any responsibility, to advise you as to events occurring after the date hereof with respect to the Obligations or other matters discussed in the Official Statement. This letter is not intended to, and may not, be relied upon by owners of the Obligations or by any other party to whom it is not addressed other than you.

Respectfully submitted,

EXHIBIT C

FORM OF DISTRICT COUNSEL OPINION

Varner Brandt LLP, as general counsel to the District, proposes to deliver an opinion in substantially the following form upon the initial issuance of the Obligations.

_____, 2023

Citigroup Global Markets Inc.
300 South Grand Avenue, Suite 3110
Los Angeles, CA 90071

Re: \$_____ Upper Santa Ana River Watershed Infrastructure Financing Authority Interim Notes (San Bernardino Valley Municipal Water District), Series 2023A and \$_____ Upper Santa Ana River Watershed Infrastructure Financing Authority Refunding Revenue Bonds (San Bernardino Valley Municipal Water District), Series 2023B

Ladies and Gentlemen:

San Bernardino Valley Municipal Water District (the “District”) has entered into a Purchase Contract dated _____, 2023 (the “Purchase Contract”), by and among the District, the Upper Santa Ana River Watershed Infrastructure Financing Authority (the “Authority”) and Citigroup Global Markets Inc. (the “Underwriter”), relating to the Upper Santa Ana River Watershed Infrastructure Financing Authority Interim Notes (San Bernardino Valley Municipal Water District), Series 2023A (the “2023A Notes”) and Upper Santa Ana River Watershed Infrastructure Financing Authority Refunding Revenue Bonds (San Bernardino Valley Municipal Water District), Series 2023B (the “2023B Bonds” and, together with the 2023A Notes, the “Obligations”). Among other things, the Purchase Contract states that General Counsel shall provide assurances as set forth below.

The following opinion is presented to the Underwriter to satisfy the requirements of Section 8(f)(7) of the Purchase Contract. For convenience, this opinion will use the terminology employed by the Purchase Contract with reference to other documents. In particular, the following terms are employed in this opinion:

“District Documents” means, collectively, the Purchase Contract, the Installment Purchase Agreement and the Continuing Disclosure Certificate.

“District Resolution” means Resolution No. __ of the District, adopted May 16, 2023.

“Indenture of Trust” means the Indenture of Trust, dated as of May 1, 2023, by and between the Authority and U.S. Bank Trust Company, National Association, as trustee, concerning the Obligations.

“Continuing Disclosure Certificate” means the Continuing Disclosure Certificate of the District, dated _____, 2023.

“Preliminary Official Statement” means the preliminary Official Statement, dated _____, 2023, relating to the Obligations.

“Official Statement” means the final Official Statement, dated _____, 2023, relating to the Obligations.

Our opinion is based upon our knowledge of the District and our examination of the documents described above.

1. The District is a municipal water district duly organized and validly existing under and pursuant to the laws of the State of California with full legal right, power and authority to enter into and perform its obligations under the District Documents.

2. The District has duly and validly adopted the District Resolution and the District Resolution is in full force and effect.

3. The District has duly authorized, executed and delivered the District Documents, and assuming due authorization, execution and delivery thereof by the respective other parties thereto (where applicable), the District Documents constitute legal, valid and binding agreements of the District enforceable in accordance with their terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization moratorium, fraudulent conveyance or transfer and other similar laws affecting the creditor’s rights to the application of equitable principles if equitable remedies are sought to the exercise of judicial discretion in appropriate cases and to limitation on legal remedies against public agencies in the State of California.

4. To our actual knowledge, and except as disclosed in the Preliminary Official Statement and the Official Statement, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, is pending or, to our actual knowledge, threatened in any way affecting the existence of the District or the titles of its Board of Directors or officers to their respective offices, or seeking to restrain or to enjoin the sale of the Obligations, the application of the proceeds thereof in accordance with the Indenture of Trust, or in any way contesting or affecting the validity or enforceability of the Obligations, the District Resolution, the District Documents or any other applicable agreements or any action of the District contemplated by any of the documents, or in any way contesting the completeness or accuracy of the Official Statement or the powers of the District or its authority with respect to the District Resolution, the District Documents or any action on the part of the District contemplated by any of the documents, or contesting or affecting the collection of Revenues by the District or which challenges the exclusion of interest paid with respect to the Obligations from gross income for purposes of federal income taxation, or which, if determined adversely to

the District would have a material and adverse effect upon the District's ability to pay the installment payments to the Authority under the Installment Purchase Agreement.

5. To our actual knowledge, the District is not in breach of or default under any law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order or any loan agreement, note, bond, resolution, indenture, contract, agreement or other instrument to which the District is a party or is otherwise subject or bound which would materially impair the ability of the District to perform its obligations under the District Documents.

6. To our actual knowledge, the adoption of the District Resolution and the execution and delivery of the District Documents or any other applicable agreements and the other instruments contemplated by any of such documents to which the District is a party or by the Preliminary Official Statement and the Official Statement, and compliance with the provisions of each thereof, will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order or any loan agreement, note, bond, resolution, indenture, contract, agreement or other instrument to which the District is a party or is otherwise subject or bound.

7. To our actual knowledge, all approvals, consents, authorizations, elections and orders or filings or registrations with any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to or the absence of which would materially adversely affect, the performance by the District of its obligations under the District Resolution, the District Documents and any other applicable agreements, have been obtained and are in full force and effect.

8. To our actual knowledge, the statements contained in the District Portion of the Preliminary Official Statement as of its date and as of _____, 2023 and the District Portion of the Official Statement, as of its date and as of the date hereof, did not and do not contain any untrue statement of a material fact and did not and do not omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of circumstances under which they were made, not misleading.

The opinions expressed above are subject to the following qualifications:

A. We are licensed to practice law only in the State of California. Accordingly, the foregoing opinions apply only with respect to the laws of the State of California and the United States and we express no opinion with respect to the laws of any other jurisdiction.

B. By delivering this letter, we are not expressing any opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the District Documents or the Obligations, nor are we expressing any opinion with respect to

the state or quality of title to or interest in any assets described in or as subject to the lien of the District Documents or the Obligations or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. This opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities.

C. Other than the District, no party to the transaction evidenced by the District Documents or the Obligations or any document or oral agreement relating thereto is subject to any statute, rule or regulation, or to any impediment to which contracting parties are generally not subject which requires the District or such party to obtain the consent of, or to make a declaration or filing with any governmental authority.

D. For purposes of this opinion, we have not, with your permission, made an independent review of any agreement or instrument that may have been executed by or may be binding upon the District (other than the District Documents), nor have we undertaken to review any files of the District pertaining to the transactions to which the District may be a party (other than the District Resolution), or to discuss its transactions or business with any attorneys outside our firm representing the District.

E. The words “to our actual knowledge,” “known to us,” “to our knowledge” or words of similar import as used in this opinion letter signify that, in the course of our representation of the District, we have no knowledge of any facts, and no facts have come to our attention, that would give us actual notice that any of our opinions or any factual matters relating to the opinions given are not accurate. Except as otherwise expressly indicated, however, we have not undertaken any independent investigation to determine the accuracy of such statement, and any limited inquiry undertaken by us during the preparation of this opinion letter should not be regarded as such an investigation; no inference as to our knowledge of any matters bearing on the accuracy of any such statement should be drawn from the fact of our representation of the District.

The opinions expressed herein are solely for your benefit in connection with the above-referenced matter and may not be relied on in any manner or for any purpose by any other person or entity, nor may copies be delivered or furnished to any other party nor may all or portions of this opinion be quoted, circulated, or referred to in any other document without our prior written consent, except (a) to the extent disclosure of this opinion is required pursuant to applicable law, (b) to your accountants, attorneys and other professional advisors, and (c) that this opinion may be included in applicable closing transcript. We are not assuming any professional responsibility to any other person whomsoever. No attorney-client relationship has existed or exists between us and you in connection with the District Resolution or the District Documents, or by virtue of this letter. We note you were represented by separate counsel retained by you in connection with the transaction described herein.

Respectfully submitted,

Varner Brandt LLP

C-4

EXHIBIT D

FORM OF AUTHORITY COUNSEL OPINION

Varner Brandt LLP, as general counsel to the Authority, proposes to deliver an opinion in substantially the following form upon the initial issuance of the Obligations.

_____, 2023

Citigroup Global Markets Inc.
300 South Grand Avenue, Suite 3110
Los Angeles, CA 90071

Re: \$_____ Upper Santa Ana River Watershed Infrastructure Financing Authority Interim Notes (San Bernardino Valley Municipal Water District), Series 2023A and \$_____ Upper Santa Ana River Watershed Infrastructure Financing Authority Refunding Revenue Bonds (San Bernardino Valley Municipal Water District), Series 2023B

Ladies and Gentlemen:

Upper Santa Ana River Watershed Infrastructure Financing Authority (the “Authority”) has entered into a Purchase Contract dated _____, 2023 (the “Purchase Contract”), by and among the Authority, the San Bernardino Valley Municipal Water District (the “District”) and Citigroup Global Markets Inc. (the “Underwriter”), relating to the Upper Santa Ana River Watershed Infrastructure Financing Authority Interim Notes (San Bernardino Valley Municipal Water District), Series 2023A (the “2023A Notes”) and Upper Santa Ana River Watershed Infrastructure Financing Authority Refunding Revenue Bonds (San Bernardino Valley Municipal Water District), Series 2023B (the “2023B Bonds” and, together with the 2023A Notes, the “Obligations”). Among other things, the Purchase Contract states that General Counsel shall provide assurances as set forth below.

The following opinion is presented to the Underwriter to satisfy the requirements of Section 8(f)(8) of the Purchase Contract. For convenience, this opinion will use the terminology employed by the Purchase Contract with reference to other documents. In particular, the following terms are employed in this opinion:

“Authority Documents” means, collectively, the Indenture of Trust, the Purchase Contract, and the Installment Purchase Agreement.

“Authority Resolution” means Resolution No. ___ of the Authority, adopted May 17, 2023.

“Indenture of Trust” means the Indenture of Trust, dated as of May 1, 2023, by and between the Authority and U.S. Bank Trust Company, National Association, as trustee, concerning the Obligations.

“Preliminary Official Statement” means the Preliminary Official Statement, dated _____, 2023, relating to the Obligations.

“Official Statement” means the final Official Statement, dated _____, 2023, relating to the Obligations.

Our opinion is based upon our knowledge of the Authority and our examination of the documents described above.

1. The Authority is a joint exercise of powers agency duly created pursuant to a Joint Exercise of Powers Agreement, dated July 20, 2021, among the District, the Yucaipa Valley Water District and the other parties thereto and under the Constitution and laws of the State of California with full legal right, power and authority to enter into and perform its obligations under the Authority Documents.

2. The Authority has duly and validly adopted the Authority Resolution and the Authority Resolution is in full force and effect.

3. The Authority has duly authorized, executed and delivered the Authority Documents, and assuming due authorization, execution and delivery thereof by the respective other parties thereto (where applicable), the Authority Documents constitute legal, valid and binding agreements of the Authority enforceable in accordance with their terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or transfer and other similar laws affecting the creditor’s rights to the application of equitable principles if equitable remedies are sought to the exercise of judicial discretion in appropriate cases and to limitation on legal remedies against public agencies in the State of California.

4. To our actual knowledge, and except as disclosed in the Preliminary Official Statement and the Official Statement, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, is pending or, to our actual knowledge, threatened in any way affecting the existence of the Authority or the titles of its Board of Directors or officers to their respective offices, or seeking to restrain or to enjoin the sale of the Obligations, the application of the proceeds thereof in accordance with the Indenture of Trust, or in any way contesting or affecting the validity or enforceability of the Obligations, the Authority Resolution, the Authority Documents or any other applicable agreements or any action of the Authority contemplated by any of the documents, or in any way contesting the completeness or accuracy of the Official Statement or the powers of the Authority or its authority with respect to the Authority Resolution, the Authority Documents or any action on the part of the Authority contemplated by any of the documents, or contesting or affecting the collection of Revenues by the Authority or which challenges the exclusion of interest paid with respect to the Obligations from gross income for purposes of federal income taxation, or which,

if determined adversely to the Authority would have a material and adverse effect upon the Authority's ability to pay the principal of and interest on the Obligations.

5. To our actual knowledge, the Authority is not in breach of or default under any law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order or any loan agreement, note, bond, resolution, indenture, contract, agreement or other instrument to which the Authority is a party or is otherwise subject or bound which would materially impair the ability of the Authority to perform its obligations under the Authority Documents.

6. To our actual knowledge, the adoption of the Authority Resolution and the execution and delivery of the Authority Documents or any other applicable agreements and the other instruments contemplated by any of such documents to which the Authority is a party or by the Preliminary Official Statement and the Official Statement, and compliance with the provisions of each thereof, will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order or any loan agreement, note, bond, resolution, indenture, contract, agreement or other instrument to which the Authority is a party or is otherwise subject or bound.

7. To our actual knowledge, all approvals, consents, authorizations, elections and orders or filings or registrations with any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to or the absence of which would materially adversely affect, the performance by the Authority of its obligations under the Authority Resolution, the Authority Documents and any other applicable agreements, have been obtained and are in full force and effect.

8. To our actual knowledge, the Authority Portion of the Preliminary Official Statement as of its date and as of _____, 2023 and the Authority Portion of the Official Statement as of the date of the Purchase Contract, and the date hereof, did not and do not contain any untrue statement of a material fact and did not and do not omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of circumstances under which they were made, not misleading.

The opinions expressed above are subject to the following qualifications:

A. We are licensed to practice law only in the State of California. Accordingly, the foregoing opinions apply only with respect to the laws of the State of California and the United States and we express no opinion with respect to the laws of any other jurisdiction.

B. By delivering this letter, we are not expressing any opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the Authority Documents or the Obligations, nor are we expressing any opinion with respect

to the state or quality of title to or interest in any assets described in or as subject to the lien of the Authority Documents or the Obligations or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities.

C. Other than the Authority, no party to the transaction evidenced by the Authority Documents or the Obligations or any document or oral agreement relating thereto is subject to any statute, rule or regulation, or to any impediment to which contracting parties are generally not subject which requires the Authority or such party to obtain the consent of, or to make a declaration or filing with any governmental authority.

D. For purposes of this opinion, we have not, with your permission, made an independent review of any agreement or instrument that may have been executed by or may be binding upon the Authority (other than the Authority Documents), nor have we undertaken to review any files of the Authority pertaining to the transactions to which the Authority may be a party (other than the Authority Resolution), or to discuss its transactions or business with any attorneys outside our firm representing the Authority.

E. The words “to our actual knowledge,” “known to us,” “to our knowledge” or words of similar import as used in this opinion letter signify that, in the course of our representation of the Authority, we have no knowledge of any facts, and no facts have come to our attention, that would give us actual notice that any of our opinions or any factual matters relating to the opinions given are not accurate. Except as otherwise expressly indicated, however, we have not undertaken any independent investigation to determine the accuracy of such statement, and any limited inquiry undertaken by us during the preparation of this opinion letter should not be regarded as such an investigation; no inference as to our knowledge of any matters bearing on the accuracy of any such statement should be drawn from the fact of our representation of the Authority.

The opinions expressed herein are solely for your benefit in connection with the above-referenced matter and may not be relied on in any manner or for any purpose by any other person or entity, nor may copies be delivered or furnished to any other party nor may all or portions of this opinion be quoted, circulated, or referred to in any other document without our prior written consent, except (a) to the extent disclosure of this opinion is required pursuant to applicable law, (b) to your accountants, attorneys and other professional advisors, and (c) that this opinion may be included in applicable closing transcript. We are not assuming any professional responsibility to any other person whomsoever. No attorney-client relationship has existed or exists between us and you in connection with the Authority Resolution or the Authority Documents, or by virtue of this letter. We note you were represented by separate counsel retained by you in connection with the transaction described herein.

Respectfully submitted,

Varner Brandt LLP

D-4

EXHIBIT E

FORM OF DISCLOSURE COUNSEL NEGATIVE ASSURANCE LETTER

Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel to the District, proposes to deliver a negative assurance letter in substantially the following form upon the initial issuance of the Obligations.

_____, 2023

Citigroup Global Markets Inc.
300 South Grand Avenue, Suite 3110
Los Angeles, CA 90071

Re: \$_____ Upper Santa Ana River Watershed Infrastructure Financing Authority Interim Notes (San Bernardino Valley Municipal Water District), Series 2023A and \$_____ Upper Santa Ana River Watershed Infrastructure Financing Authority Refunding Revenue Bonds (San Bernardino Valley Municipal Water District), Series 2023B

Ladies and Gentlemen:

We have acted as disclosure counsel to the Upper Santa Ana River Watershed Infrastructure Financing Authority (the “Authority”) in connection with the issuance of the above-referenced notes and bonds (the “Obligations”). The Obligations are being purchased by you, as underwriter of the Obligations. All capitalized terms used herein and not defined herein shall have the meanings ascribed thereto in the Official Statement.

In rendering the advice contained herein, we have examined originals or copies certified or otherwise identified to our satisfaction of: (i) the Indenture of Trust (the “Indenture”), dated as of May 1, 2023, by and between the Authority and U.S. Bank Trust Company, National Association, as trustee; (ii) the Preliminary Official Statement, dated __, 2023 (the “Preliminary Official Statement”) relating to the Obligations; (iii) the Official Statement, dated __, 2023 (the “Official Statement”) relating to the Obligations; (iv) Resolution No. __ of the Board of Directors (the “Board”) of the Authority adopted on May 17, 2023; (v) the letters, certificates and opinions delivered to you in connection with the sale of the Obligations; and (vi) the minutes of the Board for the period [January 1, 2022 through _____, 2023]. We do not assume any responsibility for any electronic versions of the Preliminary Official Statement and the Official Statement and assume that any such version is identical in all respects to the version printed at closing for the transcript for the Obligations.

The conclusions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such conclusions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform you or any other person, whether any

such actions are taken or omitted or whether such events do occur or any other matters come to our attention after the date hereof. We have assumed, but not independently verified, that the signatures on all documents, letters, opinions and certificates which we have examined are genuine, that all documents submitted to us are authentic and were duly and properly executed by the parties thereto and that all representations made in the documents that we have reviewed are true and accurate. We have assumed, without independent verification, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in any opinions referenced in the Preliminary Official Statement and the Official Statement.

By delivering this letter, we are not expressing any opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in any document referenced in the Preliminary Official Statement Official Statement, nor are we expressing any opinion with respect to the state or quality of title to or interest in any assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets under the Indenture. Our services as disclosure counsel to the Authority did not involve the rendering of financial or other non-legal advice to you, the Authority, or any other party to the transaction.

Although we have not undertaken to determine independently or verify and are not passing upon and do not assume responsibility for, the accuracy, completeness or fairness of the statements contained in the Preliminary Official Statement and the Official Statement, and are therefore unable to make any representation to you in that regard, we have participated in conferences prior to the date of the Official Statement with your representatives, Hawkins Delafield & Wood LLP, your counsel, and representatives of the Authority, including the Authority's General Counsel and the Authority's municipal advisor, Fieldman, Rolapp & Associates, representatives of the San Bernardino Valley Municipal Water District, including the District's general counsel and others, during which conferences the contents of the Preliminary Official Statement and the Official Statement and related matters were discussed. Based upon the information made available to us in the course of our participation in such conferences as disclosure counsel to the Authority our review of the documents referred to above, our reliance on the oral and written statements of the Authority and others, the documents, certificates, instructions and records and the opinions of counsel described above and our understanding of applicable law, and subject to the limitations on our role as disclosure counsel to the Authority, we advise you as a matter of fact but not opinion that no information has come to the attention of the attorneys in the firm performing services for the Authority as disclosure counsel on this matter which caused us to believe that: (a) the Preliminary Official Statement as of its date or as of __, 2023 contained any untrue statement of a material fact, or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect, and (b) the Official Statement as of its date contained, or as of the date hereof contains, any untrue statement of a material fact, or as of its date omitted, or as of the date hereof omits, to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect (except that

with respect to the Preliminary Official Statement and the Official Statement, we express no view with respect to: (i) the expressions of opinion, the assumptions, the projections, estimates and forecasts, the charts, the financial statements or other financial, numerical, economic, demographic or statistical data, or assessed valuations contained therein; (ii) any CUSIP numbers or information relating thereto; (iii) any information with respect to The Depository Trust Company and its book-entry system; (iv) any information contained in the appendices thereto; (v) any information incorporated by reference therein; (vi) the Authority's compliance with their obligations to provide notice of the events described in part (b)(5)(i)(C) of Rule 15c2-12 promulgated under the Securities Act of 1934 ("Rule 15c2-12") or to file annual reports described in part (b)(5)(i)(A) of Rule 15c2-12, review of which matters we understand has been undertaken internally; (vii) any information with respect to the underwriter or underwriting matters with respect to the Obligations, including but not limited to information under the caption "UNDERWRITING"; and (viii) any information with respect to the ratings on the Obligations and the rating agencies referenced therein, including but not limited to information under the caption "RATINGS". Finally, we advise you that, other than reviewing the various certificates and opinions dated the date hereof executed in connection with the issuance of the Obligations, we have not taken any steps since the date of the Official Statement to verify the accuracy of the respective statements contained in the Official Statement as of the date hereof. No responsibility is undertaken or opinion rendered with respect to any other disclosure document, materials or activity, or as to any information from another document or source referred to by, or incorporated by reference in, the Preliminary Official Statement and the Official Statement.

By acceptance of this letter you recognize and acknowledge that: (i) the negative assurance above is not an opinion and is based on certain limited activities performed by specific attorneys in our firm in our role as disclosure counsel to the Authority; (ii) the scope of the activities performed by such attorneys in our role as disclosure counsel to the Authority and for purposes of delivering such negative assurances were inherently limited and do not purport to encompass all activities necessary for compliance by you or others in accordance with applicable state and federal securities laws; and (iii) the activities performed by such attorneys in our role as disclosure counsel to the Authority rely in part by representations, warranties, certifications and opinions of other parties to the transaction, including representations, warranties and certifications made by the Authority.

This letter is being furnished to you solely for your benefit in connection with your purchase of the Obligations and is not to be used, circulated, quoted or otherwise referred to for any other purpose without our prior written consent. No attorney-client relationship has existed or exists between our firm and you in connection with the issuance of the Obligations or by virtue of this letter. This letter is limited to matters governed by the laws of the State of California and federal securities laws, and we assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

Our engagement as disclosure counsel to the Authority terminates as of the date hereof, and we have not undertaken any duty, and expressly disclaim any responsibility, to advise you as to events occurring after the date hereof with respect to the Obligations or other matters discussed in the Preliminary Official Statement and the Official Statement. This letter is not intended to, and may not, be relied upon by owners of the Obligations, the owners of any

beneficial ownership interest in the Obligations or by any other party to whom it is not addressed.

EXHIBIT F

FORM OF ADDITIONAL DEBT CERTIFICATE

The District proposes to execute a parity certificate in substantially the following form in connection with the execution and delivery of the Installment Purchase Agreement.

\$ _____
**UPPER SANTA ANA RIVER
WATERSHED INFRASTRUCTURE
FINANCING AUTHORITY
INTERIM NOTES (SAN BERNARDINO
VALLEY MUNICIPAL WATER
DISTRICT), SERIES 2023A**

\$ _____
**UPPER SANTA ANA RIVER
WATERSHED INFRASTRUCTURE
FINANCING AUTHORITY
REFUNDING REVENUE BONDS (SAN
BERNARDINO VALLEY MUNICIPAL
WATER DISTRICT), SERIES 2023B**

Part A –2023 WIFIA Installment Purchase Agreement

The undersigned, General Manager of the District, hereby certifies that as of the date hereof, pursuant to and Section 5.03 of the Installment Purchase Agreement, dated as of June __, 2023 (the “2023 WIFIA Installment Purchase Agreement”), by and between the Authority and the District (all capitalized terms used in this Part A and not otherwise defined herein shall have the respective meanings given to such terms in the 2023 WIFIA Installment Purchase Agreement), that:

(i) The Net Revenues for the period beginning on July 1, 2021 and ending on June 30, 2022, being the last audited District Fiscal Year preceding the date of execution of the 2023 Installment Purchase Agreement, produced a sum equal to at least one hundred twenty-five percent (125%) of the Debt Service for such twelve month period, as evidenced by the calculations shown below and a special report prepared by an Independent Municipal Consultant attached hereto as Exhibit A:

	July 1, 2021 through June 30, 2022

Revenues	
Operation and Maintenance Costs	
Net Revenues	
Debt Service	
COVERAGE	

(ii) The Net Revenues for the period beginning on July 1, 2021 and ending on June 30, 2022, being the last audited District Fiscal Year preceding the date of execution of the 2023 Installment Purchase Agreement, including adjustments to give effect as of the first day of such twelve month period to increases in rates and charges with respect, or applicable, to the System

approved and in effect as of the date hereof, produced a sum equal to at least one hundred twenty-five percent (125%) of the Debt Service for such twelve month period plus the Debt Service which would have accrued on any Contracts executed or Bonds issued since the end of such Fiscal Year assuming such Contracts had been executed or Bonds had been issued at the beginning of such Fiscal Year, as evidenced by the calculations shown below and a special report prepared by an Independent Municipal Consultant attached hereto as Exhibit A;

July 1, 2021 through
June 30, 2022

Revenues
Operation and Maintenance Costs
Net Revenues
Debt Service
COVERAGE

(iii) The estimated Net Revenues for the Fiscal Year ending June 30, 2023, being the current Fiscal Year, and for each Fiscal Year thereafter to and including the Fiscal Year ending June 30, 20[27], including (after giving effect to the completion of all such uncompleted Parity Projects) an allowance for estimated Net Revenues for each of such Fiscal Years arising from any increase in the income, rents, fees, rates and charges estimated to be fixed, prescribed or received for the Service and which are economically feasible and reasonably considered necessary based on projected operations for such period, shall produce a sum equal to at least one hundred twenty-five percent (125%) of the estimated Debt Service for each of such Fiscal Years, after giving effect to the execution of all Contracts and the issuance of all Bonds estimated to be required to be executed or effect to the execution of all Contracts and the issuance of all Bonds estimated to be required to be executed or issued to pay the costs of completing all uncompleted Parity Projects within such Fiscal Years, assuming that all such Contracts and Bonds have maturities, interest rates and proportionate principal repayment provisions similar to the Contract last executed or then being executed or the Bonds last issued or then being issued for the purpose of acquiring and constructing any of such uncompleted Parity Projects.

Part B – WIFIA Master Agreement

The undersigned, General Manager of the District, hereby certifies that as of the date hereof, pursuant to Section 18(a) of the WIFIA Master Agreement, dated as of June __, 2023 (the “WIFIA Master Agreement”), by and among the District, the Authority, and the United States Environmental Protection Agency, acting by and through the Administrator of the Environmental Protection Agency (the “EPA”) (all capitalized terms used in this Part B and not otherwise defined herein shall have the respective meanings given to such terms in the WIFIA Master Agreement), that:

(i) The Net Revenues for the period beginning on July 1, 2021 and ending on June 30, 2022, being the last audited District Fiscal Year preceding the date of execution of the 2023 Installment Purchase Agreement, produced a sum equal to at least one hundred twenty-five percent (125%) of the Parity Debt Service for such twelve month period, as evidenced by the

calculations shown below and a special report prepared by an Independent Municipal Consultant attached hereto as Exhibit A;

July 1, 2021 through
June 30, 2022

Revenues
Operation and Maintenance Costs
Net Revenues
Parity Debt Service
COVERAGE

(ii) The Net Revenues for the period beginning on July 1, 2021 and ending on June 30, 2022, being the last audited District Fiscal Year preceding the date of execution of the 2023 Installment Purchase Agreement, including adjustments to give effect as of the first day of such twelve month period to increases or decreases in rates and charges with respect, or applicable to, the System approved and in effect as of the date hereof, produced a sum equal to at least one hundred twenty-five percent (125%) of (x) the Parity Debt Service for such twelve month period plus (y) the Parity Debt Service which would have accrued on any Additional Parity Obligations incurred since the end of such twelve month period assuming such Additional Parity Obligations had been incurred at the beginning of such twelve month period plus (z) the Parity Debt Service which would have accrued had such Additional Parity Obligations been incurred at the beginning of such twelve month period, as evidenced by the calculations shown below and a special report prepared by an Independent Municipal Consultant attached hereto as Exhibit A;

July 1, 2021 through
June 30, 2022

Revenues
Operation and Maintenance Costs
Net Revenues
Parity Debt Service
COVERAGE

(iii) The estimated Net Revenues for the Fiscal Year ending June 30, 2023, being the current Fiscal Year, and for each Fiscal Year thereafter to and including the Fiscal Year ending June 30, 20[27], including (after giving effect to the completion of all such uncompleted Parity Projects) an allowance for estimated Net Revenues for each of such Fiscal Years arising from any increase in the income, rents, fees, rates and charges estimated to be fixed, prescribed or received for the Service and which are economically feasible and reasonably considered

necessary based on projected operations for such period, shall produce a sum equal to at least one hundred twenty-five percent (125%) of the estimated Debt Service for each of such Fiscal Years, after giving effect to the execution of all Contracts and the issuance of all Bonds estimated to be required to be executed or effect to the execution of all Contracts and the issuance of all Bonds estimated to be required to be executed or issued to pay the costs of completing all uncompleted Parity Projects within such Fiscal Years, assuming that all such Contracts and Bonds have maturities, interest rates and proportionate principal repayment provisions similar to the Contract last executed or then being executed or the Bonds last issued or then being issued for the purpose of acquiring and constructing any of such uncompleted Parity Projects.

Dated: _____, 2023

SAN BERNARDINO VALLEY
MUNICIPAL WATER DISTRICT

General Manager

EXHIBIT A

I, _____ of Fieldman, Rolapp & Associates, Inc., an Independent Municipal Consultant (as defined in the 2023 WIFIA Installment Agreement and the WIFIA Master Agreement), hereby certify that we are qualified under (1) Section 5.03 of the Installment Purchase Agreement, dated as of June __, 2023 (the “2023 WIFIA Installment Purchase Agreement”), by and between the Upper Santa Ana River Watershed Infrastructure Financing Authority (the “Authority”) and the District and (2) Section 18(a) of the WIFIA Master Agreement, dated as of June __, 2023 (the “WIFIA Master Agreement”), by and among the District, the Authority, and the United States Environmental Protection Agency, acting by and through the Administrator of the Environmental Protection Agency (the “EPA”), as an Independent Financial Consultant and an Independent Municipal Consultant to provide the following report and confirm as of the date hereof the calculations set forth below that:

Part A –2023 WIFIA Installment Purchase Agreement

- (1) The Net Revenues for the period beginning on July 1, 2021 and ending on June 30, 2022, being the last audited District Fiscal Year preceding the date of execution of the 2023 Installment Purchase Agreement, produced a sum equal to at least one hundred twenty-five percent (125%) of the Debt Service for such twelve month period, as evidenced by the calculations shown below; and

July 1, 2021 through
June 30, 2022

Revenues
Operation and Maintenance Costs
Net Revenues
Debt Service
COVERAGE

- (2) The Net Revenues for the period beginning on July 1, 2021 and ending on June 30, 2022, being the last audited District Fiscal Year preceding the date of execution of the 2023 Installment Purchase Agreement, including adjustments to give effect as of the first day of such twelve month period to increases in rates and charges with respect, or applicable, to the System approved and in effect as of the date hereof, produced a sum equal to at least one hundred twenty-five percent (125%) of the Debt Service for such twelve month period plus the Debt Service which would have accrued on any Contracts executed or Bonds issued since the end of such Fiscal Year assuming such Contracts had been executed or Bonds had been issued at the beginning of such Fiscal Year, as evidenced by the calculations shown below.

July 1, 2021 through
June 30, 2022

Revenues
Operation and Maintenance Costs
Net Revenues
Debt Service
COVERAGE

All capitalized terms used Part A and not otherwise defined herein shall have the respective meanings given to such terms in the 2023 WIFIA Installment Purchase Agreement.

Part B –WIFIA Master Agreement

- (1) The Net Revenues for the period beginning on July 1, 2021 and ending on June 30, 2022, being the last audited District Fiscal Year preceding the date of execution of the 2023 Installment Purchase Agreement, produced a sum equal to at least one hundred twenty-five percent (125%) of the Parity Debt Service for such twelve month period, as evidenced by the calculations shown below;

July 1, 2021 through
June 30, 2022

Revenues
Operation and Maintenance Costs
Net Revenues
Parity Debt Service
COVERAGE

- (2) The Net Revenues for the period beginning on July 1, 2021 and ending on June 30, 2022, being the last audited District Fiscal Year preceding the date of execution of the 2023 Installment Purchase Agreement, including adjustments to give effect as of the first day of such twelve month period to increases or decreases in rates and charges with respect, or applicable to, the System approved and in effect as of the date hereof, produced a sum equal to at least one hundred twenty-five percent (125%) of (x) the Parity Debt Service for such twelve month period plus (y) the Parity Debt Service which would have accrued on any Additional Parity Obligations incurred since the end of such twelve month period assuming such Additional Parity Obligations had been incurred at the beginning of such twelve month period plus (z) the Parity Debt Service which would have accrued had such Additional Parity Obligations been incurred at the beginning of such twelve month period, as evidenced by the calculations shown below.

July 1, 2021 through
June 30, 2022

Revenues
Operation and Maintenance Costs
Net Revenues
Parity Debt Service
COVERAGE

All capitalized terms used Part B and not otherwise defined herein shall have the respective meanings given to such terms in the WIFIA Master Agreement.

Dated: _____, 2023

FIELDMAN, ROLAPP AND ASSOCIATES, INC.

By: _____
Its: Executive Vice President

PRELIMINARY OFFICIAL STATEMENT DATED MAY 9, 2023

NEW ISSUE – BOOK-ENTRY ONLY

RATING: See the caption “RATING”

\$ _____ *

**UPPER SANTA ANA RIVER WATERSHED INFRASTRUCTURE FINANCING AUTHORITY
INTERIM NOTES (SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT),
SERIES 2023A**

Interest Rate: % Yield: % Price: CUSIP[†] No.:
Dated: Date of Issuance Due: December 1, 20__

The Upper Santa Ana River Watershed Infrastructure Financing Authority Interim Notes (San Bernardino Valley Municipal Water District), Series 2023A are being issued pursuant to an Indenture of Trust, dated as of May 1, 2023, by and between the Upper Santa Ana River Watershed Infrastructure Financing Authority and U.S. Bank Trust Company, National Association, as trustee, and will be payable from the sources described herein. The Notes are being issued to provide funds to (i) finance, on an interim basis, the acquisition of certain capital improvements for San Bernardino Valley Municipal Water District, (ii) to pay capitalized interest with respect to the Notes, and (iii) pay the costs of issuance for the Notes.

Interest due on the Notes is payable semi-annually on December 1, 2023 and each June 1 and December 1 thereafter. The Notes are being issued in fully registered book-entry form and initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Purchasers will not receive certificates representing their interest in the Notes. Individual purchases of the Notes will be in principal amounts of \$5,000 and integral multiples thereof. Payments of principal of and interest on the Notes will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Notes.

The Notes are subject to optional redemption prior to maturity, as more fully described herein.

The Notes are limited obligations of the Authority. The Notes are payable from Authority Revenues and from certain other amounts on deposit in funds and accounts under the Indenture. Authority Revenues consist primarily of Series 2023A Installment Payments received by the Authority from the District pursuant to an Installment Purchase Agreement, dated as of May 1, 2023, by and between the District and the Authority. The obligation of the District to make the Series 2023A Installment Payments is a special obligation of the District payable from Net Revenues of the District, constituting Revenues remaining after the payment of Operation and Maintenance Costs.

The obligation of the District to make the Series 2023A Installment Payments from Net Revenues is on a parity with the obligation of the District to make the Series 2011 Installment Payments under the 2011 Installment Purchase Agreement in an outstanding aggregate principal amount of \$6,510,000, and the 2023 WIFIA Installment Payments under the 2023 WIFIA Installment Purchase Agreement (the District expects to enter into the 2023 WIFIA Installment Purchase Agreement on or about June 7, 2023), the current balance of which is \$0 and which may be drawn upon up to \$69,818,796, as described herein.

The District may incur additional obligations payable from Net Revenues on parity with the Series 2023A Installment Payments, subject to the terms and conditions set forth in the 2023A Installment Purchase Agreement, as further described herein.

No reserve fund has been created or funded to secure the Notes.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR ANY PUBLIC AGENCY THEREOF OR ANY MEMBER OF THE AUTHORITY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL AMOUNT OR REDEMPTION PRICE OF, OR INTEREST ON, THE NOTES. THE AUTHORITY HAS NO TAXING POWERS. THE NOTES DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE STATE OF CALIFORNIA OR ANY PUBLIC AGENCY THEREOF (OTHER THAN THE AUTHORITY) OR ANY MEMBER OF THE AUTHORITY IN CONTRAVENTION OF ANY STATE OF CALIFORNIA CONSTITUTIONAL OR STATUTORY PROVISION.

THE OBLIGATION OF THE DISTRICT TO MAKE THE SERIES 2023A INSTALLMENT PAYMENTS IS A SPECIAL OBLIGATION OF THE DISTRICT PAYABLE FROM NET REVENUES OF THE DISTRICT, CONSTITUTING REVENUES REMAINING AFTER THE PAYMENT OF OPERATION AND MAINTENANCE COSTS AND OTHER FUNDS DESCRIBED IN THE 2023A INSTALLMENT PURCHASE AGREEMENT, AND DOES NOT CONSTITUTE AN OBLIGATION OF THE DISTRICT FOR WHICH THE DISTRICT IS OBLIGATED TO PAY FROM ANY OTHER DISTRICT REVENUES OR TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE DISTRICT TO MAKE THE SERIES 2023A INSTALLMENT PAYMENTS UNDER THE 2023A INSTALLMENT PURCHASE AGREEMENT DOES NOT CONSTITUTE A DEBT OF THE DISTRICT OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Note Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described in this Official Statement, interest (and original issue discount) on the Notes is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Note Counsel, interest (and original issue discount) on the Notes and the portion of each Installment Payment constituting interest (and original issue discount) is exempt from State of California personal income tax. See “TAX MATTERS” herein with respect to tax consequences with respect to the Notes, including with respect to the alternative minimum tax imposed on certain large corporations for tax years beginning after December 31, 2022.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS ARE ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION. Capitalized terms used and not defined on the cover of this Official Statement have the meanings ascribed thereto in this Official Statement.

The Notes are offered when, as and if issued and received by the Underwriter, subject to the approval of the valid, legal and binding nature of the Notes by Stradling Yocca Carlson & Rauth, a Professional Corporation, Note Counsel, and certain other conditions. The Underwriter is being represented by its counsel, Hawkins Delafield & Wood LLP. Certain legal matters will be passed upon for the Authority and the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel, for the Authority by Varner Brandt LLP, as General Counsel, for the District by Varner Brandt LLP, as General Counsel, and for the Trustee by its counsel. It is anticipated that the Notes will be available for delivery through the facilities of The Depository Trust Company on or about June 9, 2023.

[†] CUSIP[®] is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© 2023 CUSIP Global Services. All rights reserved. CUSIP[®] data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP[®] numbers are provided for convenience of reference only. Neither the Authority nor the District assumes responsibility for the accuracy of such numbers.

Dated May __, 2023

* *Preliminary, subject to change.*

No dealer, broker, salesperson or other person has been authorized by the District, the Authority or the Underwriter to give any information or to make any representations other than those contained in this Official Statement in connection with the offering made hereby and, if given or made, such other information or representations must not be relied upon as having been authorized by the District, the Authority or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Notes by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Notes. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

The Underwriter has provided the following sentence for inclusion in this Official Statement:

The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The information and expression of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof.

THE UNDERWRITER MAY OFFER AND SELL THE NOTES TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

CERTAIN STATEMENTS CONTAINED IN THIS OFFICIAL STATEMENT REFLECT NOT HISTORICAL FACTS BUT FORECASTS AND “FORWARD-LOOKING STATEMENTS.” NO ASSURANCE CAN BE GIVEN THAT THE FUTURE RESULTS DISCUSSED HEREIN WILL BE ACHIEVED, AND ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THE FORECASTS DESCRIBED HEREIN. IN THIS RESPECT, THE WORDS “ESTIMATE,” “PROJECT,” “ANTICIPATE,” “EXPECT,” “INTEND,” “BELIEVE” AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. ALL PROJECTIONS, FORECASTS, ASSUMPTIONS, EXPRESSIONS OF OPINIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

THE NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE NOTES HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

The District maintains a website. However, the information presented there is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the Notes. References to web site addresses other than District’s website presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, Rule 15c2-12 of the United States Securities and Exchange Commission.

UPPER SANTA ANA RIVER WATERSHED INFRASTRUCTURE FINANCING AUTHORITY

BOARD OF DIRECTORS

Paul R. Kielhold, Chair
Lonni Granlund, Vice Chair
Betsy Miller, Director
Miguel Guerrero, Director
Kevin Mascaro, Director

Authority Staff

Heather Dyer, Executive Director
Jose Macedo, ML, CPT-P (USA Retired), Secretary
T. Milford Harrison, Treasurer

SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT

BOARD OF DIRECTORS

Paul R. Kielhold, President, District V
June Hayes, Vice President, District I
T. Milford Harrison, Treasurer, District IV
Gil J. Botello, Director, District II
Susan Longville, Director, District III

DISTRICT STAFF

Heather Dyer, Chief Executive Officer/General Manager
Cindy Saks, Chief Financial Officer/Deputy General Manager

SPECIAL SERVICES

**General Counsel to the District
and the Authority**

Varner Brandt LLP
Riverside, California

Note and Disclosure Counsel

Stradling Yocca Carlson & Rauth, a Professional
Corporation
Newport Beach, California

Municipal Advisor to the Authority and the District

Fieldman Rolapp & Associates, Inc.
Irvine, California

Trustee

U.S. Bank Trust Company, National Association
Los Angeles, California

TABLE OF CONTENTS

Page

SUMMARY STATEMENT i

INTRODUCTION 1

PLAN OF FINANCE..... 4

 General..... 4

 The 2023 Project..... 4

ESTIMATED SOURCES AND USES OF FUNDS 5

THE NOTES..... 6

 Terms of the Notes..... 6

 Redemption..... 6

 Notice of Redemption 6

 Selection of Notes for Redemption..... 7

 Partial Redemption of Notes 7

 Effect of Redemption of Notes 7

 Book-Entry Only System..... 7

 Transfers and Exchanges Upon Termination of Book-Entry Only System 8

SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT PAYMENT SCHEDULE 9

SECURITY FOR THE NOTES..... 10

 General..... 10

 Series 2023A Installment Payments Are Limited Obligations Payable From Net Revenues 10

 Covenant Regarding Payment of the Principal of the Notes..... 13

 Rate Covenant Under the 2023A Installment Purchase Agreement 13

 Additional Contracts and Bonds 13

 Rate Stabilization Fund..... 14

 No Reserve Fund..... 15

INVESTMENT CONSIDERATIONS 15

 Accuracy of Assumptions 15

 Rates Covenant Not a Guarantee 15

 System Demand 16

 System Expenses..... 16

 Availability of SWP Property Tax to pay Water Supply Contract Expenses..... 16

 COVID-19 Pandemic; Infectious Disease Outbreak..... 17

 Limited Recourse on Default 17

 Natural Disasters and Seismic Considerations..... 17

 Limitations on Remedies Available; Bankruptcy 19

 Limited Obligations 19

 Statutory and Regulatory Compliance 19

 Parity Obligations 20

 Loss of Tax Exemption..... 20

 Secondary Market 20

 Cybersecurity 20

 Failure to Refund the Notes 20

 Development Default Under the 2023 WIFIA Loan..... 21

THE AUTHORITY 21

CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES..... 21

 Article XIII B 21

 Proposition 218 22

 Proposition 26 24

 Future Initiatives 24

APPROVAL OF LEGAL PROCEEDINGS..... 24

TABLE OF CONTENTS
(continued)

	<i>Page</i>
TAX MATTERS.....	24
AUTHORITY LITIGATION	26
DISTRICT LITIGATION.....	27
RATING	27
UNDERWRITING	27
MUNICIPAL ADVISOR	28
CONTINUING DISCLOSURE UNDERTAKING.....	28
MISCELLANEOUS	29
APPENDIX A SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT	A-1
APPENDIX B SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT FINANCIAL STATEMENTS, INCLUDING THE AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING.....	B-1
APPENDIX C SUMMARY OF PRINCIPAL LEGAL DOCUMENTS	C-1
APPENDIX D FORM OF OPINION OF NOTE COUNSEL	D-1
APPENDIX E INFORMATION CONCERNING THE DEPOSITORY TRUST COMPANY	E-1
APPENDIX F FORM OF CONTINUING DISCLOSURE CERTIFICATE.....	F-1

SUMMARY STATEMENT

This summary is subject in all respects to the more complete information contained in this Official Statement, and the offering of the Notes to potential investors is made only by means of the entire Official Statement. Capitalized terms used and not otherwise defined in this Summary Statement have the meanings ascribed thereto in this Official Statement.

Purpose. The Notes are being issued to provide funds to (i) finance, on an interim basis, the acquisition of certain capital improvements for San Bernardino Valley Municipal Water District, (ii) pay capitalized interest with respect to the Notes, and (iii) pay the costs of issuance for the Notes.

Security for the Notes. The Notes are limited obligations of the Authority. The Notes are payable from Authority Revenues and from certain other amounts on deposit in funds and accounts under the Indenture. The obligation of the District to make the Series 2023A Installment Payments is a special obligation of the District payable from Net Revenues of the District, constituting Revenues remaining after the payment of Operating and Maintenance Costs. The obligation of the District to make the Series 2023A Installment Payments does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. The obligation of the District to make the Series 2023A Installment Payments does not constitute a debt of the District, the State or any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

The District generates the funds necessary to meet its obligations under the Water Supply Contract by levying the SWP Property Tax on land and taxable property (exclusive of personal property) located within the territorial limits of the District. The SWP Property Taxes are excluded from the definition of Revenues under the 2023A Installment Purchase Agreement and are not available to pay the Series 2023A Installment Payments. See the caption “SECURITY FOR THE NOTES.”

The obligation of the District to make the Series 2023A Installment Payments from Net Revenues is on a parity with the obligation of the District to make the Series 2011 Installment Payments under the 2011 Installment Purchase Agreement in an outstanding aggregate principal amount of \$6,510,000, and the 2023 WIFIA Installment Payments under the 2023 WIFIA Installment Purchase Agreement, the current balance of which is \$0 and which may be drawn upon up to \$69,818,796, as described herein. See Appendix A—“SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT— Other Outstanding Obligations.”

The District may incur additional obligations payable from Net Revenues on a parity with the Series 2023A Installment Payments, subject to the terms and conditions of the 2023A Installment Purchase Agreement, as more fully described herein.

Rate Covenant Under the 2023A Installment Purchase Agreement. The 2023A Installment Purchase Agreement requires the District, to the fullest extent permitted by law, to fix and prescribe, at the beginning of each Fiscal Year, rates and charges with respect, or applicable, to the System which are reasonably expected to be at least sufficient to yield during each Fiscal Year Net Revenues equal to one hundred twenty-five percent (125%) of Debt Service payable in such Fiscal Year. Budgeted Transfers, in an amount not to exceed twenty-five percent (25%) of Debt Service referred to in the preceding sentence, as of the last day of the immediately preceding Fiscal Year may be credited towards the District’s obligations to comply with the coverage obligation described above.

The term “Budgeted Transfers” means, for any Fiscal Year, lawfully available amounts, including in the Rate Stabilization Fund (described below), as of the last day of such Fiscal Year, in each case, (a) which may be lawfully used to pay the Series 2023A Installment Payments and (b) that have been transferred to the Revenue Fund, pursuant to a budget process where such amounts have been budgeted and approved by the Board of Directors of the District (and which removal from the Revenue Fund would require a separate budget

and approval process by the Board of Directors of the District prior to any such removal), for application solely to the System.

The District may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net Revenues from such reduced rates and charges are reasonably expected to be sufficient to meet the foregoing requirements.

For avoidance of doubt, so long as the District has complied with its obligations described above, the failure of Net Revenues to meet the thresholds described above at the end of the Fiscal Year shall not constitute a default or an Event of Default so long as the District has complied with the obligations described above at the commencement of the immediately succeeding Fiscal Year.

Additional Contracts or Bonds. The 2023A Installment Purchase Agreement permits the District to at any time execute any Contract or issue any Bonds, as the case may be, which are secured by a pledge and lien on the Revenues and which are payable from Net Revenues on a parity with the Series 2023A Installment Payments, provided that certain conditions are satisfied as herein described under the caption “SECURITY FOR THE NOTES—Additional Contracts and Bonds” below.

Rate Stabilization Fund. There is continued under the 2023A Installment Purchase Agreement a special fund designated the “Rate Stabilization Fund,” which fund the District has agreed and covenanted to continue and maintain so long as the Notes remain unpaid. The District may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund and transfer such amounts to the Revenue Fund for application in accordance with the 2023A Installment Purchase Agreement. The District will have \$0 on deposit in the Rate Stabilization Fund on the date of the initial issuance of the Notes.

Amounts transferred from the Rate Stabilization Fund to the Revenue Fund in accordance with the 2023A Installment Purchase Agreement may be taken into account as Revenues for purposes of the calculations to issue additional Bonds or execute additional Contracts described under “—*Additional Contracts or Bonds.*” The District is also permitted to credit Budgeted Transfers, which includes amounts from the Rate Stabilization Fund, in an amount up to 25% of Debt Service for the applicable Fiscal Year for the purpose of such calculations. See the caption “SECURITY FOR THE NOTES—Rate Stabilization Fund.”

No Reserve Fund. No reserve fund has been created or funded to secure the Notes.

Redemption. The Notes are subject to optional redemption prior to maturity, as more fully described herein.

The 2023 WIFIA Loan. On or about June 7, 2023, the District and the Authority expect to execute and deliver the WIFIA Master Agreement and the 2023 WIFIA Loan Agreement relating to the 2023 WIFIA Loan, each with the United States Environmental Protection Agency, as described herein, for the purpose of financing a portion of the costs of certain capital improvements to the District’s System (the “WIFIA Project”). Proceeds of the 2023 WIFIA Loan are expected to be available to repay the principal of the Notes at maturity or to redeem the Notes prior to maturity to the extent proceeds of the Notes are used to pay eligible project costs of the WIFIA Project. See the caption “SECURITY FOR THE NOTES—Covenant Regarding Payment of the Principal of the Notes.” While the Authority and the District currently expect to enter into the WIFIA Master Agreement and the 2023 WIFIA Loan Agreement on or about June 7, 2023, there can be no assurance that any loan proceeds will be available to pay the principal of the Notes at maturity. See the caption “INVESTMENT CONSIDERATIONS—Failure to Refund the Notes.”

The District. The District is a groundwater management agency and wholesale water agency responsible for long-range water supply planning within the District’s service area. The District’s service area includes approximately 353 square miles of land in southwestern San Bernardino County and a small portion

of Riverside County. The District's service area encompasses the cities and communities of Bloomington, Colton, East Highlands, Grand Terrace, Highland, Loma Linda, Mentone, Redlands, Rialto, Yucaipa, San Bernardino and portions of Fontana and unincorporated Riverside County. The population within the District's service area is approximately 714,000.

The Authority. The Authority is a joint powers authority organized pursuant to a Joint Exercise of Powers Agreement, dated July 20, 2021 (the "JPA Agreement"), by and among the District, San Bernardino Valley Water Conservation District and Yucaipa Valley Water District. Additional members may join the Authority in the future upon a unanimous vote of the Board of Directors of the Authority. The JPA Agreement was entered into pursuant to the provisions of the Act. The Authority is governed by a board of directors, which is comprised of one member appointed by each of the members of the Authority. The Authority was created to provide for financing and refinancing of projects on behalf of the members of the Authority, working capital for the members and the other costs described in the Act by exercising the powers referred to in the JPA Agreement and providing an organizational framework for the implementation of the financing of the Upper Santa Ana River Watershed Infrastructure Program.

\$ _____ *

**UPPER SANTA ANA RIVER WATERSHED INFRASTRUCTURE FINANCING AUTHORITY
INTERIM NOTES (SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT),
SERIES 2023A**

INTRODUCTION

General. This Official Statement, including the cover page, the inside cover page and all appendices hereto, provides certain information concerning the sale and delivery of the Upper Santa Ana River Watershed Infrastructure Financing Authority Interim Notes (San Bernardino Valley Municipal Water District), Series 2023A (the “Notes”). The Notes are being issued pursuant to an Indenture of Trust, dated as of May 1, 2023 (the “Indenture”), by and between the Upper Santa Ana River Watershed Infrastructure Financing Authority (the “Authority”) and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”). Descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. Capitalized terms used and not otherwise defined herein have the meanings ascribed to them in Appendix C—“SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” attached hereto.

Purposes of the Notes. The Notes are being issued to provide funds to (i) finance, on an interim basis, the acquisition of certain capital improvements for San Bernardino Valley Municipal Water District (the “District”), (ii) pay capitalized interest with respect to the Notes, and (iii) pay the costs of issuance for the Notes, as more fully described herein. See the captions “PLAN OF FINANCE” and “ESTIMATED SOURCES AND USES OF FUNDS.”

Authority for Issuance. The Notes are being issued under the Indenture, the Marks-Roos Local Bond Pooling Act of 1985, as amended, constituting Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the “State”) and the Joint Exercise of Powers Agreement, dated July 20, 2021 (the “JPA Agreement”), by and among the District, San Bernardino Valley Water Conservation District and Yucaipa Valley Water District. In connection with the authorization of the Notes, the Authority adopted a resolution on May 17, 2023 (the “Authorizing Resolution”) approving the Notes and the execution and delivery of the Indenture.

Sources of Payment for the Notes. The Notes are limited obligations of the Authority. The Notes are payable from Authority Revenues under the Indenture (the “Authority Revenues”) and from certain other amounts on deposit in funds and accounts under the Indenture. Authority Revenues consist primarily of installment payments (the “Series 2023A Installment Payments”) received from the District pursuant to an Installment Purchase Agreement, dated as of May 1, 2023 (the “2023A Installment Purchase Agreement”), by and between the District and the Authority. See the caption “SECURITY FOR THE NOTES—General.”

The Notes do not constitute a charge against the general credit of the Authority. The Notes are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts except payments under the 2023A Installment Purchase Agreement and other moneys pledged by the Authority under the Indenture. Neither the faith and credit nor the taxing power of the State or any public agency thereof or any member of the Authority is pledged to the payment of the principal amount or redemption price of, or interest on, the Notes. The Authority has no taxing power. The Notes do not constitute a debt, liability or obligation of the State or any public agency thereof (other than the Authority) or any member of the Authority in contravention of any State constitutional or statutory provision.

The obligation of the District to make the Series 2023A Installment Payments is a special obligation of the District payable from Net Revenues (herein defined) of the District and other funds described in the

* Preliminary, subject to change.

2023A Installment Purchase Agreement, and does not constitute a debt of the District or of the State or any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction. Net Revenues consist of Revenues remaining after the payment of Operation and Maintenance Costs (herein defined). See Appendix C—“SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

The District generates the funds necessary to meet its obligations under the Water Supply Contract (as defined in Appendix A) by levying a property tax (as further described in Appendix A, the “SWP Property Tax”) on land and taxable property (exclusive of personal property) located within the territorial limits of the District. The SWP Property Taxes are excluded from the definition of Revenues under the 2023A Installment Purchase Agreement and are not available to pay the Series 2023A Installment Payments. See the caption “SECURITY FOR THE NOTES.”

No Reserve Fund. No reserve fund has been created or funded to secure the Notes.

Obligations Payable From Net Revenues on a Parity with the Series 2023A Installment Payments. The obligation of the District to make the Series 2023A Installment Payments from Net Revenues is on a parity with the obligation of the District: (i) to make payments (the “Series 2011 Installment Payments”) from Net Revenues under that certain Installment Purchase Agreement, dated as of June 1, 2011, by and between the District and the San Bernardino Valley Municipal Water District Financing Corporation (the “2011 Installment Purchase Agreement”), which are currently outstanding in the aggregate principal amount of \$6,510,000, and (ii) to make payments from Net Revenues (the “2023 WIFIA Installment Payments”) under an Installment Purchase Agreement (the “2023 WIFIA Installment Purchase Agreement”) between the District and the Authority, relating to the 2023 WIFIA Loan Agreement (as defined herein), the current balance of which is \$0 and which may be drawn upon up to \$69,818,796, upon its execution on or about June 7, 2023, as described herein. (See the caption “SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT— Other Outstanding Obligations” in Appendix A.

The District may incur additional obligations payable from Net Revenues on a parity with the Series 2023A Installment Payments, subject to the terms and conditions of the 2023A Installment Purchase Agreement, as more fully described herein. See the caption “SECURITY FOR THE NOTES—Additional Contracts and Bonds.”

The 2023 WIFIA Loan. On or about June 7, 2023, the Authority and the District expect to execute and deliver a WIFIA master loan agreement (the “WIFIA Master Agreement”) with the United States Environmental Protection Agency (the “EPA”), as the WIFIA lender for each WIFIA Loan (as defined herein), under the authorization of the Water Infrastructure Finance and Innovation Act for one or more loans to be obtained thereunder (each a “WIFIA Loan”) for the purpose of financing certain improvements to the District’s System (the “WIFIA Project”). The District and the Authority expect to execute and deliver the WIFIA Master Agreement and a WIFIA Loan Agreement (the “2023 WIFIA Loan Agreement”), each by and among, the EPA, the District and the Authority, relating to an initial WIFIA Loan (the “2023 WIFIA Loan”), on or about June 7, 2023.

While the 2023 WIFIA Loan will be an obligation of the Authority, the District is expected to enter into the 2023 WIFIA Installment Purchase Agreement pursuant to which the District will purchase the components of the WIFIA Project to be acquired pursuant to the 2023 WIFIA Installment Purchase Agreement (the “2023 WIFIA Project”) from the Authority in exchange for the 2023 WIFIA Installment Payments in amounts and at times sufficient to enable the Authority to pay the 2023 WIFIA Loan. Subject to the terms and conditions set forth in the WIFIA Master Agreement and the 2023 WIFIA Loan Agreement, the Authority may draw up to \$69,818,796 under the 2023 WIFIA Loan, which all or a portion of such draw is expected to be applied by the District to pay the Series 2023A Installment Payments, which would then be applied to pay the principal of the Notes at or prior to maturity.

The District currently expects to cause the Authority to draw on the 2023 WIFIA Loan to pay the Series 2023A Installment Payments, which will then be applied to pay the principal of the Notes at maturity or to prepay the Notes prior to maturity as described under the caption “THE NOTES—Redemption of the Notes.” However, no assurance can be given that, on or prior to the maturity of the Notes, such proceeds will be available under the 2023 WIFIA Loan Agreement to pay the Notes in full. See the caption “INVESTMENT CONSIDERATIONS—Failure to Refund the Notes.”

Covenant Regarding Payment of the Principal of the Notes. The District has covenanted in the 2023A Installment Purchase Agreement that, if the District has not provided funds to pay the principal amount of the Series 2023A Installment Payments attributable to the Notes when due at maturity of the Notes, the District will cause the Authority to draw on the 2023 WIFIA Loan to provide funds, under the 2023 WIFIA Installment Purchase Agreement, to pay the principal amount of the Series 2023A Installment Payments when due (to the extent such principal amount of the Series 2023A Installment Payments was used to pay for any portion of the purchase price of the 2023 WIFIA Project).

However, the WIFIA Master Agreement and the 2023 WIFIA Loan Agreement are expected to contain a number of covenants and agreements of the District that differ from the covenants and agreements set forth in the 2023A Installment Purchase Agreement. If the District fails to comply with such covenants and agreements, the Authority may not be permitted, under the terms of the WIFIA Master Agreement, to draw on the 2023 WIFIA Loan. Holders of the Notes, or the Trustee on behalf of the holders of the Notes, do not have an interest in, or any rights under, the WIFIA Master Agreement or the 2023 WIFIA Loan Agreement, and do not have the power to compel performance of the District under such agreements or to enforce the remedies available under such agreements. The District will be required to comply with certain of the covenants and agreements set forth under the WIFIA Master Agreement so long as the WIFIA Master Agreement remains in effect. The District will be required to comply with certain of the covenants and agreements set forth under the WIFIA Master Agreement so long as the WIFIA Master Agreement remains in effect. See the caption “INVESTMENT CONSIDERATIONS—Failure to Refund the Notes.”

The District. The District is a groundwater management agency and wholesale water agency responsible for long-range water supply planning within the District’s service area. The District’s service area includes approximately 353 square miles of land in southwestern San Bernardino County and a small portion of Riverside County. The District’s service area encompasses the cities and communities of Bloomington, Colton, East Highlands, Grand Terrace, Highland, Loma Linda, Mentone, Redlands, Rialto, Yucaipa, San Bernardino and portions of Fontana and unincorporated Riverside County. The population within the District’s service area is approximately 714,000. See Appendix A—“SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT.”

The Authority. The Authority is a joint powers authority organized pursuant to the JPA Agreement. The JPA Agreement was entered into pursuant to the provisions of Chapter 5 of Division 7 of Title 1 of the California Government Code, Government Code sections 6500 et seq. (the “Act”). The Authority is governed by a board of directors, which is comprised of one member appointed by each of the members of the Authority. The Authority was created to provide for financing and refinancing of projects on behalf of the members of the Authority, working capital for the members and the other costs described in the Act by exercising the powers referred to in the JPA Agreement and providing an organizational framework for the implementation of the financing of the Upper Santa Ana River Watershed Infrastructure Program (as described in “SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT—Upper Santa Ana Watershed Integrated Regional Water Management Plan” in Appendix A). See the caption “THE AUTHORITY.”

Professionals Involved in the Offering. U.S. Bank Trust Company, National Association will act as Trustee with respect to the Notes. The Notes are offered when, as and if issued, subject to approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Note Counsel, and certain other conditions. Certain legal matters will be passed on for the Authority and the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel, for the

Underwriter by its counsel, Hawkins Delafield & Wood LLP, for the District by Varner Brandt LLP, as General Counsel to the District, for the Authority by Varner Brandt, LLP, as General Counsel to the Authority, and for the Trustee by its counsel. See the caption “APPROVAL OF LEGAL PROCEEDINGS.”

Fieldman, Rolapp & Associates, Inc. is acting as municipal advisor to the Authority and the District. See the caption, “MUNICIPAL ADVISOR.”

Other Information About this Official Statement. The summaries and references to the Indenture, the 2023A Installment Purchase Agreement and all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary or reference is qualified in its entirety by reference to the full Indenture, Installment Purchase Agreement and each such document, statute, report or instrument, copies of which are available for inspection at the offices of the District in San Bernardino, California and will be available from the Trustee upon request and payment of duplication cost. Unless otherwise indicated, all financial and statistical information herein has been provided by the District.

The District regularly prepares a variety of reports, including audits, budgets and related documents. Any registered owner of the Notes (each, an “Owner”) may obtain a copy of such report, as available, from the Trustee or the District. Additional information regarding the Official Statement may be obtained by contacting the Trustee or Heather Dyer, Chief Executive Officer/General Manager, San Bernardino Valley Municipal Water District, 380 E, Vanderbilt Way, San Bernardino, California 92408, Telephone: (909) 387-9211.

PLAN OF FINANCE

General

The Notes are being issued to provide funds to (i) finance, on an interim basis, the acquisition of certain capital improvements for the District, (ii) pay capitalized interest with respect to the Notes, and (iii) pay the costs of issuance for the Notes.

The 2023 Project

General. The District expects to apply a portion of the proceeds of the Notes to provide funding for the acquisition of certain capital improvement projects enhancing the System included in the 2023 WIFIA Project. The portions of the 2023 WIFIA Project expected to be financed, on an interim basis, with the proceeds of the Notes are referred to herein as the “2023 Project” and are described in further detail below.

The Enhanced Recharge Project Phase 1A Liner and Phase 1B. The Enhanced Recharge Project is located on the Santa Ana River and will divert stormwater up to 500 cubic feet per second (cfs) and is estimated to recharge up to approximately 80,000 acre feet per year of stormwater during extremely wet years. Water will be temporarily captured at the Seven Oaks Dam and diverted stormwater will flow to recharge basins for recharge into the San Bernardino basin. The Phase 1A Liner project includes the installation of a geosynthetic liner within the inlet channel to the existing sedimentation basin that is designed to reduce sediment load and water turbidity before it travels to downstream groundwater recharge basins. The liner is intended to reduce the infiltration rate within the sedimentation basin and the inlet channel. Phase 1B of the Enhanced Recharge Project includes construction of new recharge basins, construction of new channels, and modification/improvements to existing basins and channel structures.

In 2013, the District entered into an agreement (the “Western Reimbursement Agreement”) with Western Municipal Water District of Riverside County (“Western MWD”) whereby Western MWD agreed to reimburse the District for portions of the Enhanced Recharge Project described above on behalf of certain entities, including the City of Riverside. Pursuant to the Western Reimbursement Agreement, the District expects to invoice Western MWD quarterly for expenses incurred by the District. Under the Western

Reimbursement Agreement, Western MWD has agreed to reimburse the District for approximately 27.95% of the Enhanced Recharge Project costs. The District and Western MWD are also currently in negotiations with the City of Riverside regarding the City of Riverside reimbursing a portion of the costs of the Enhanced Recharge Project directly to the District which would otherwise be payable through and by Western MWD pursuant to the Western Reimbursement Agreement. If the agreement were to be approved, the District expects the City of Riverside would reimburse the District directly for approximately 22.49% of the overall costs of the Enhanced Recharge Project and Western MWD would reimburse the District for approximately 5.46% of the overall costs of the Enhanced Recharge Project; however, there can be no assurance whether the District, Western MWD and the City of Riverside will reach such an agreement. Under the proposed agreement, the District expects to invoice Western MWD and the City of Riverside on a monthly basis for expenses incurred by the District.

The District has received the necessary approvals, including environmental approvals, for the 2023 Project. The District expects that substantially all Note proceeds will be expended within three years. See the caption “ESTIMATED SOURCES AND USES OF FUNDS.”

Pursuant to the 2023A Installment Purchase Agreement, the District may substitute or add additional projects to the 2023 Project. Any projects substituted or added to the 2023 Project are not required to be eligible to be reimbursed from a draw on the 2023 WIFIA Loan (as described below). See Appendix C—“SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

WIFIA Loan. The District and the Authority expect to enter into the WIFIA Master Agreement and the 2023 WIFIA Loan Agreement, each with the EPA, on June __, 2023, for the purpose of financing approximately 42% of estimated aggregate cost of the 2023 WIFIA Project. While the 2023 WIFIA Loan is an obligation of the Authority, the District will enter into the 2023 WIFIA Installment Purchase Agreement pursuant to which the District will purchase the 2023 WIFIA Project from the Authority in exchange for the 2023 WIFIA Installment Payments in amounts and at times sufficient to enable the Authority to pay the 2023 WIFIA Loan. Subject to the terms and conditions set forth in the 2023 WIFIA Installment Purchase Agreement, the Authority may draw up to \$69,818,796 under the 2023 WIFIA Loan, which all or a portion of such draw is expected to be applied by the District to pay the Series 2023A Installment Payments, which would then be applied to pay the principal of the Notes at or prior to maturity as described under the caption “THE NOTES—Redemption of the Notes.” See the caption “SECURITY FOR THE NOTES—Covenant Regarding Payment of the Principal of the Notes.” See also the caption “INVESTMENT CONSIDERATIONS—Failure to Refund the Notes.”

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Notes are set forth below.

Sources

Principal Amount	\$	--
Plus Original Issue Premium		--
TOTAL	\$	--

Uses

Deposit to Acquisition Fund	\$	--
Capitalized Interest Account ⁽¹⁾		--
Costs of Issuance ⁽²⁾		--
TOTAL	\$	--

⁽¹⁾ Amount, together with projected interest earnings on moneys on deposit in the Capitalized Interest Account, is expected to be sufficient to pay [all] [a portion] of the interest payments on the Notes through maturity.

- (2) Includes fees for the Trustee, Note Counsel, Municipal Advisor's fees, legal fees, printing costs, rating agency fees, underwriter's discount and other costs of delivery.

THE NOTES

Terms of the Notes

The Notes will be issued in the aggregate principal amount of \$_____*. The Notes will be dated as of the date of issuance. Interest on the Notes is payable on December 1, 2023 and each June 1 and December 1, thereafter (each an "Interest Payment Date"). The principal of and premium, if any, and interest on the Notes is payable in lawful money of the United States of America. Interest will be paid by the Trustee by check mailed by the Trustee to the respective Owners thereof on the applicable Interest Payment Date at their addresses as they appear as of the close of business on the fifteenth day of the calendar month preceding the Interest Payment Date (the "Record Date") in the registration books kept by the Trustee, except that in the case of an Owner of \$1,000,000 or more in aggregate principal amount of Notes, such payment may, at such Owner's option, be made by wire transfer of immediately available funds to an account in the United States in accordance with written instructions provided to the Trustee by such Owner prior to the Record Date.

Interest on the Notes will accrue at the rates per annum and will mature on the dates set forth on the inside front cover page of this Official Statement. Interest on the Notes will be calculated on the basis of a 360-day year composed of twelve 30-day months. Individual purchases will be made in principal amounts of \$5,000 and integral multiples thereof.

Redemption

Optional Redemption. The Notes will be subject to redemption prior to their respective stated maturities, as a whole or in part as directed by the Authority in a Request provided to the Trustee at least thirty-five (35) days (or such lesser number of days acceptable to the Trustee in the reasonable judgement of the Trustee, such notice for the convenience of the Trustee) and by lot within each maturity in integral multiples of \$5,000 on ____ 1, 202_ or any date thereafter at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

Notice of Redemption

Notice of redemption must be mailed by first class mail not less than twenty (20) days nor more than sixty (60) days before any Redemption Date, to the respective Owners of any Notes that are designated for redemption at their addresses appearing on the Registration Books, to the Securities Depositories and the Information Services. Each notice of redemption must state the date of notice, the redemption date, the place or places of redemption and the Redemption Price, and will designate the maturities, CUSIP numbers, if any, and, in the case of Notes to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on the redemption date there will become due and payable on each of said Notes or parts thereof that are designated for redemption the Redemption Price thereof or of said specified portion of the principal thereof in the case of a Note to be redeemed in part only, together with interest accrued thereon to the redemption date, and that (provided that moneys for redemption have been deposited with the Trustee) from and after such redemption date interest thereon will cease to accrue, and will require that such Notes be then surrendered to the Trustee. Neither the failure to receive such notice nor any defect in the notice or the mailing thereof will affect the validity of the redemption of any Note. Notice of redemption of Notes will be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

With respect to any notice of optional redemption of Notes, such notice may state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such

* Preliminary, subject to change.

redemption of moneys that are sufficient to pay the principal of, premium, if any, and interest on such Notes to be redeemed and that, if such moneys have not been so received, said notice will be of no force and effect and the Trustee will not be required to redeem such Notes. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption will not be made, and the Trustee will within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Selection of Notes for Redemption

Whenever provision is made in the Indenture for the redemption of less than all of Notes, the Trustee shall select the Notes for redemption as a whole or in part on any date as directed by the Authority and by lot within each maturity in integral multiples of \$5,000 as described above under the caption “THE NOTES — Redemption of the Notes.” The Trustee will promptly notify the Authority in writing of the numbers of the Notes or portions thereof so selected for redemption.

Partial Redemption of Notes

Upon surrender of any Note redeemed in part only, the Authority will execute, and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Note or Notes of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Notes surrendered and of the same series, interest rate and maturity.

Effect of Redemption of Notes

Notice of redemption having been duly given as provided under the Indenture, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, the Notes (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Notes (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Notes (or portions thereof) so called for redemption will become due and payable, interest on the Notes so called for redemption will cease to accrue, said Notes (or portions thereof) will cease to be entitled to any benefit or security under the Indenture, and the Owners of said Notes will have no rights in respect thereof except to receive payment of the redemption price thereof. The Trustee will, upon surrender for payment of any of the Notes to be redeemed on their Redemption Dates, pay such Notes at the Redemption Price. All Notes redeemed pursuant to the provisions of the Indenture shall be canceled upon surrender thereof.

Book-Entry Only System

One fully-registered Note for each maturity will be issued in the principal amount of such Note. Such Notes will be registered in the name of Cede & Co. and will be deposited with DTC.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the Notes will be printed and delivered and will be governed by the provisions of the Indenture with respect to payment of principal and interest and rights of exchange and transfer.

The District cannot and does not give any assurances that DTC participants or others will distribute payments with respect to the Notes received by DTC or its nominee as the registered Owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will service and act in the manner described in this Official Statement. See Appendix E hereto for additional information concerning DTC.

Transfers and Exchanges Upon Termination of Book-Entry Only System

Any Note may, in accordance with its terms, be transferred on the Registration Books by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Note at the Office of the Trustee for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. The Trustee shall not be required to register the transfer of any Note during the period in which the Trustee is selecting Notes for redemption and any Note that has been selected for redemption.

Whenever any Note or Notes shall be surrendered for transfer, the Authority will execute and the Trustee will authenticate and deliver a new Note or Notes of authorized denomination or denominations for a like series and aggregate principal amount of the same maturity. The Trustee will require the Owner requesting such transfer to pay any tax or other governmental charge that is required to be paid with respect to such transfer. Following any transfer of Notes, the Trustee will cancel and destroy the Notes that it has received.

Notes may be exchanged at the Office of the Trustee for a like aggregate principal amount of other authorized denominations of the same series and maturity. The Trustee will not be required to exchange any Note during the period in which the Trustee is selecting Notes for redemption and any Note that has been selected for redemption. The Trustee will require the Owner requesting such exchange to pay any tax or other governmental charge that is required to be paid with respect to such exchange. Following any exchange of Notes, the Trustee will cancel and destroy the Notes that it has received.

SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT PAYMENT SCHEDULE

Set forth below is a schedule of the Series 2023A Installment Payments, the Series 2011 Installment Payments and the 2023 WIFIA Installment Payments for the period ending on the last day of June in each of the years indicated:

<i>Last day of June</i>	<i>Series 2023A Installment Payments</i>		<i>Series 2011 Installment Payments</i>	<i>2023 WIFIA Installment Payments ⁽³⁾</i>	<i>Total</i>
	<i>Principal⁽¹⁾</i>	<i>Interest⁽²⁾</i>			
2023	\$ --	\$ --	\$ 503,744	\$ --	\$ --
2024	--	--	499,644	--	--
2025	--	--	500,244	--	--
2026	--	--	500,444	--	--
2027	--	--	500,244	--	--
2028	--	--	499,644	--	--
2029	--	--	503,544	--	--
2030	--	--	501,944	--	--
2031	--	--	499,944	--	--
2032	--	--	502,244	--	--
2033	--	--	498,631	--	--
2034	--	--	499,288	--	--
2035	--	--	499,306	--	--
2036	--	--	498,688	--	--
2037	--	--	502,078	--	--
2038	--	--	499,469	--	--
2039	--	--	501,094	--	--
2040	--	--	501,844	--	--
2041	--	--	501,719	--	--
2042	--	--	500,719	--	--
2043	--	--	--	--	--
2044	--	--	--	--	--
2045	--	--	--	--	--
2046	--	--	--	--	--
2047	--	--	--	--	--
2048	--	--	--	--	--
2049	--	--	--	--	--
2050	--	--	--	--	--
2051	--	--	--	--	--
2052	--	--	--	--	--
2053	--	--	--	--	--
2054	--	--	--	--	--
2055	--	--	--	--	--
2056	--	--	--	--	--
2057	--	--	--	--	--
2058	--	--	--	--	--
2059	--	--	--	--	--
2060	--	--	--	--	--
2061	--	--	--	--	--
TOTAL	\$ --	\$ --	\$10,014,472	\$ --	\$ --

(Footnotes to table on next page)

(Footnotes to table on prior page)

- (1) Principal payment expected to be made from a draw on the 2023 WIFIA Loan. See the captions “PLAN OF FINANCE—The 2023 Project” and “SECURITY FOR THE NOTES— Covenant Regarding Payment of the Principal of the Notes.”
- (2) Includes interest with respect to the Notes capitalized from proceeds of the Notes. The entire amount of interest coming due in Fiscal Years 2023 through 20__ is expected to be paid from proceeds of the Notes.
- (3) Reflects payments under the 2023 WIFIA Installment Purchase Agreement (following use of proceeds of a projected draw on the 2023 WIFIA Loan to pay the principal of the Notes at or prior to maturity). See Appendix A—“SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT— Other Outstanding Obligations.”

Source: The District.

SECURITY FOR THE NOTES

General

Pursuant to the Indenture, all right, title and interest of the Authority in and to the Authority Revenues (as such term is defined in Appendix C hereto), including, but without limiting the generality of the foregoing, the present and continuing right to make claim for, collect, receive and receipt for any Authority Revenues which are payable to or receivable by the Authority under the Constitution of the State, the Government Code and the Indenture and any other applicable laws of the State or otherwise, to bring actions and proceedings thereunder for the enforcement thereof, and to do any and all things which the Authority is or may become entitled to do thereunder, subject to the terms of the Indenture. All moneys and securities held in funds and accounts of the Indenture, except amounts held in the Rebate Fund, and all other rights of every name and nature from time to time herein or hereafter by delivery or by writing of any kind pledged, assigned or transferred as and for additional security under the Indenture to the Trustee by the Authority or by anyone on its behalf, or with its written consent, and to hold and apply the same, subject to the terms of the Indenture. All of the rights, title, and interest of the Authority in the 2023A Installment Purchase Agreement, including all rights of the Authority to receive payments thereunder and all rights of the Authority thereunder as may be necessary to enforce compliance with said provisions (including enforcement of payment obligations and rate covenants, if any, contained in the 2023A Installment Purchase Agreement) or otherwise to protect the interest of the Owners of the Notes, subject to the terms hereof, and excepting therefrom any rights to indemnification or to receive notices thereunder.

The Notes are limited obligations of the Authority. The Notes are payable from Authority Revenues and from certain other amounts on deposit in funds and accounts under the Indenture. Authority Revenues consist primarily of Series 2023A Installment Payments received from the District pursuant to the 2023A Installment Purchase Agreement.

The Notes are not debt of the members of the Authority, the State or any of its political subdivisions (other than the Authority) and neither the members of the Authority, the State nor any of its political subdivisions (other than the Authority) is liable thereon. The District will have no liability or obligation under the 2023A Installment Purchase Agreement except with respect to Series 2023A Installment Payments payable under the 2023A Installment Purchase Agreement.

Series 2023A Installment Payments Are Limited Obligations Payable From Net Revenues

The Revenues, the Revenue Fund and all amounts that are on deposit in the Revenue Fund, and the Rate Stabilization Fund, and any other amounts (including proceeds of the sale of the Notes) which are held in any fund or account that is established pursuant to the 2023A Installment Purchase Agreement, are irrevocably pledged to the payment of the Series 2023A Installment Payments. While any of the Series 2023A Installment Payments remain unpaid, the Revenues will be allocated only to the purposes set forth below. Such pledge will constitute a first lien on Revenues, the Revenue Fund, the Rate Stabilization Fund, and the other funds and accounts that are created pursuant to the 2023A Installment Purchase Agreement for the payment of the Series 2023A Installment Payments and all other Contracts and Bonds in accordance with the terms of the 2023A Installment Purchase Agreement and of the Indenture, subject to the application of Revenues in accordance with the terms thereof.

In order to carry out and effectuate the pledge and lien contained the 2023A Installment Purchase Agreement, the District agrees and covenants that all Revenues will be received by the District in trust under the 2023A Installment Purchase Agreement and will be deposited when and as received in the Revenue Fund and which fund the District agrees and covenants to maintain and to hold separate and apart from other funds so long as the Series 2023A Installment Payments remain unpaid. Moneys in the Revenue Fund shall be used and applied by the District as provided below.

(a) Operation and Maintenance Costs. The District will, from the moneys in the Revenue Fund, pay all Operation and Maintenance Costs (including amounts which are reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required) as they become due and payable.

(b) Note Payment Fund. On or before each Series 2023A Installment Payment Date, the District will, from remaining moneys in the Revenue Fund not needed for application as set forth in (a) above transfer to the Trustee for deposit in the Note Payment Fund an amount that is equal to the interest and principal payable and coming due on the next succeeding Series 2023A Installment Payment Date. The District will also, from the moneys in the Revenue Fund, transfer to the applicable trustee for deposit in the applicable payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other Debt Service in accordance with the provisions of the Contract, Bond, resolution or indenture relating thereto.

Any moneys which are on deposit in the Note Payment Fund on each Series 2023A Installment Payment Date (other than amounts required for the payment of past due principal or interest with respect to any Notes not presented for payment) will be credited to the payment of the Series 2023A Installment Payments due and payable on such date. No deposit need be made in the Note Payment Fund as Series 2023A Installment Payments if the amount in the Note Payment Fund is at least equal to the amount of the Series 2023A Installment Payment that is due and payable on the next succeeding Series 2023A Installment Payment Date.

(c) Reserve Funds. On or before each Series 2023A Installment Payment Date, the District will, from moneys in the Revenue Fund not needed for application as set forth in (a) or (b) above, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the applicable trustee for any reserve funds and/or accounts for Bonds and Contracts.

(d) Surplus. Moneys on deposit in the Revenue Fund which not needed for application as set forth in (a), (b) or (c) above may be expended by the District at any time for any purpose permitted by law, including but not limited to payment of Subordinate Debt, or deposited in the Rate Stabilization Fund.

The obligation of the District to make the Series 2023A Installment Payments is absolute and unconditional, and until such time as the Purchase Price will have been paid in full (or provision for the payment thereof will have been made pursuant to the 2023A Installment Purchase Agreement), the District will not discontinue or suspend any Series 2023A Installment Payment which is required to be made by it under the 2023A Installment Purchase Agreement when due, whether or not the System or any part thereof is operating or operable or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and whether or not the 2023 Project has been completed, and such payments will not be subject to reduction whether by offset or otherwise and will not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

Certain definitions relevant to this section are provided below.

“Revenues” means all income, rents, rates, fees, charges and other moneys derived by the District from the ownership or operation of the System on or after the date of execution and delivery of the 2023A Installment Purchase Agreement, including, without limiting the generality of the foregoing: (a) all income,

rents, rates, fees, charges and other moneys derived by the District from the sale, furnishing and supplying of the water or other services, facilities, and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the System, including but not limited to income received from retail water agencies under take-or-pay contracts for water produced by the 2023 Project; (b) all proceeds of the County of San Bernardino and County of Riverside 1% *ad valorem* property tax allocated to and received by the District, including all proceeds of the unitary tax received by the District; (c) pass-through payments from redevelopment or successor agencies pursuant to the Health and Safety Code of the State; (d) all other income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys received by the District; and (e) the earnings on and income derived from the investment of amounts described in clauses (a) – (d) above and from District unrestricted reserves; but excluding: (I) customers’ deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District; and (II) any proceeds of taxes or assessments levied by the District to pay the Water Supply Contract and any other bonds, notes, contracts or obligations hereafter issued or executed.

“Revenues” also include all amounts transferred from the Rate Stabilization Fund to the Revenue Fund in accordance with the 2023A Installment Purchase Agreement. “Revenues” do not include any amounts transferred from the Revenue Fund to the Rate Stabilization Fund during any Fiscal Year in accordance with the 2023A Installment Purchase Agreement.

Net Revenues” means, for any Fiscal Year or other period, the Revenues for such Fiscal Year or other period, as the case may be, less the Operation and Maintenance Costs for such Fiscal Year or other period, as the case may be.

“Operation and Maintenance Costs” means: (i) costs spent or incurred for maintenance and operation of the System in a Fiscal Year calculated in accordance with Generally Accepted Accounting Principles, including (among other things) the reasonable expenses of management and repair and other expenses that are necessary to maintain and preserve the System in good repair and working order, and including administrative costs of the District that are charged directly or apportioned to the System, including but not limited to salaries and wages of employees, payments to the Public Employees Retirement System, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys or engineers and insurance premiums, and including all other reasonable and necessary costs of the District or charges (other than Debt Service) required to be paid by it to comply with the terms of this Installment Purchase Agreement or any other Contract or of any resolution or indenture authorizing the issuance of any Bonds or of such Bonds and (ii) all costs of water provided or otherwise acquired for delivery by the System (including any interim or renewed arrangement therefor), including both fixed and variable components thereof including but not limited to payments under the Water Supply Contract; *but excluding* in all cases (a) depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar or non-cash nature, (b) all capital charges, (c) any State Water Project costs paid from taxes described in clause (II) in the definition of Revenues or from sources other than Revenues, and (d) all amounts allocable to the District under the JPA Agreement for capital costs thereof, including principal and interest on any bonds, notes or other evidence of indebtedness of the Authority.

Notwithstanding anything contained in the 2023A Installment Purchase Agreement, but subject to the priority of payment with respect to Operation and Maintenance Costs, the District will not be required to advance any moneys derived from any source other than Revenues, the Revenue Fund and the other moneys pledged under the 2023A Installment Purchase Agreement whether for the payment of the Series 2023A Installment Payments or for any of the purposes mentioned in the 2023A Installment Purchase Agreement. Nevertheless, the District may, but will not be required to advance for any such purpose any funds of the District which may be made available for such purpose. The obligation of the District to make the Series 2023A Installment Payments is a special obligation of the District payable from the Net Revenues and does not constitute a debt of the District or of the State or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

Covenant Regarding Payment of the Principal of the Notes

The District has covenanted in the 2023A Installment Purchase Agreement that, if the District has not provided funds to pay the principal amount of the Series 2023A Installment Payments attributable to the Notes when due at maturity of the Notes, the District will cause the Authority to draw on the 2023 WIFIA Loan to provide funds, under the 2023 WIFIA Installment Purchase Agreement, to pay the principal amount of the Series 2023A Installment Payments when due (to the extent such principal amount of the Series 2023A Installment Payments was used to pay for any portion of the purchase price of the 2023 WIFIA Project).

The District currently expects the proceeds of the 2023 WIFIA Installment Purchase Agreement to be available pursuant to a draw on the 2023 WIFIA Loan, to pay when due or prepay the principal component of the Series 2023A Installment Payments. However, no assurance can be given that, on or prior to the maturity of the Notes, such proceeds will be available under the 2023 WIFIA Loan Agreement to pay the Notes in full. See the caption “INVESTMENT CONSIDERATIONS—Failure to Refund the Notes.”

Rate Covenant Under the 2023A Installment Purchase Agreement

The 2023A Installment Purchase Agreement requires the District, to the fullest extent permitted by law, to fix and prescribe, at the beginning of each Fiscal Year, rates and charges with respect, or applicable, to the System which are reasonably expected to be at least sufficient to yield during each Fiscal Year Net Revenues equal to one hundred twenty-five percent (125%) of Debt Service payable in such Fiscal Year. Budgeted Transfers, in an amount not to exceed twenty-five percent (25%) of Debt Service referred to in the preceding sentence, as of the last day of the immediately preceding Fiscal Year may be credited towards the District’s obligations described in this paragraph.

“Budgeted Transfers” means, for any Fiscal Year, lawfully available amounts, including in the Rate Stabilization Fund, as of the last day of such Fiscal Year, in each case, (a) which may be lawfully used to pay the Series 2023A Installment Payments and (b) that have been transferred to the Revenue Fund, pursuant to a budget process where such amounts have been budgeted and approved by the Board of Directors of the District (and which removal from the Revenue Fund would require a separate budget and approval process by the Board of Directors of the District prior to any such removal), for application solely to the System.

The District may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net Revenues from such reduced rates and charges are reasonably expected to be sufficient to meet the foregoing requirements.

For avoidance of doubt, so long as the District has complied with its obligations described above, the failure of Net Revenues to meet the thresholds described above at the end of the Fiscal Year shall not constitute a default or an Event of Default so long as the District has complied with the obligations described above at the commencement of the immediately succeeding Fiscal Year. A failure to meet such threshold may, however, affect the ability of the District to issue Bonds or incur Contracts payable from Net Revenues on a parity with the Series 2023A Installment Payments. See the caption “—Additional Contracts and Bonds.”

Additional Contracts and Bonds

The District may at any time execute any Contract or issue any Bonds, as the case may be, which are payable from Net Revenues on a parity with the Series 2023A Installment Payments and which are secured by a pledge of and lien on the Revenues; provided:

(1) The Net Revenues for the last audited Fiscal Year of the District, or for any consecutive twelve calendar month period during the eighteen calendar month period preceding the date of adoption by the Board of Directors of the District of the resolution authorizing the issuance of such Bonds or the date of the

execution of such Contract, as the case may be, as evidenced by a special report prepared by an Independent Certified Public Accountant or Independent Financial Consultant on file with the District, produces a sum equal to at least 125% of the Debt Service for such Fiscal Year or other twelve month period; and

(2) The Net Revenues for the last audited Fiscal Year of the District, or for any consecutive twelve calendar month period during the eighteen calendar month period preceding the date of adoption by the Board of Directors of the District of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, as the case may be, including adjustments to give effect as of the first day of such Fiscal Year or other twelve month period, to increases or decreases in rates and charges with respect, or applicable, to the System approved and in effect as of the date of calculation, as evidenced by a special report prepared by an Independent Certified Public Accountant or Independent Municipal Consultant on file with the District, shall have produced a sum equal to at least one hundred twenty-five percent (125%) of the Debt Service for such Fiscal Year or other twelve month period, plus the Debt Service which would have accrued on any Contracts executed or Bonds issued since the end of such Fiscal Year or other twelve month period, assuming that such Contracts had been executed or Bonds had been issued at the beginning of such Fiscal Year or other twelve month period, plus the Debt Service which would have accrued had such proposed additional Contract been executed or proposed additional Bonds been issued at the beginning of such Fiscal Year or other twelve month period; and

(3) The estimated Net Revenues for the then current Fiscal Year and for each Fiscal Year thereafter to and including the first complete Fiscal Year after the latest Date of Operation of any uncompleted Parity Project, as evidenced by a certificate of the Manager on file with the District, including (after giving effect to the completion of all such uncompleted Parity Projects) an allowance for estimated Net Revenues for each of such Fiscal Years arising from any increase in the income, rents, fees, rates and charges estimated to be fixed and prescribed or received for the Service and which are economically feasible and reasonably considered necessary based on projected operations for such period, as evidenced by a certificate of the Manager on file with the District, shall produce a sum equal to at least one hundred twenty five-percent (125%) of the estimated Debt Service for each of such Fiscal Years, after giving effect to the execution of all Contracts and the issuance of all Bonds estimated to be required to be executed or issued to pay the costs of completing all uncompleted Parity Projects within such Fiscal Years, assuming that all such Contracts and Bonds have maturities, interest rates and proportionate principal repayment provisions similar to the Contract last executed or then being executed or the Bonds last issued or then being issued for the purpose of acquiring and constructing any of such uncompleted Parity Projects.

For purposes of the issuance of additional Contracts and Bonds, as described above, the amount of Net Revenues may be increased by Budgeted Transfers (as defined under the caption “—Rate Covenant Under the 2023A Installment Purchase Agreement) (measured as of the last day of the immediately preceding Fiscal Year), such amount to be no greater than twenty-five percent (25%) of Debt Service payable in the applicable Fiscal Year.

Notwithstanding the foregoing, Bonds issued or Contracts executed to refund Bonds or prepay Contracts may be delivered without satisfying the conditions set forth above if Debt Service in each Fiscal Year after the Fiscal Year in which such Bonds are issued or Contracts executed is not greater than 110% of the Debt Service which would have been payable in each such Fiscal Year prior to the issuance of such Bonds or execution of such Contracts.

Rate Stabilization Fund

There is established under the Series 2023A Installment Purchase Agreement a special fund designated the “Rate Stabilization Fund” to be held by the District, which fund the District has agreed and covenanted to continue and maintain so long as the Notes remain unpaid. On the date of execution of the Series 2023A Installment Purchase Agreement, there will be \$0 on deposit in the Rate Stabilization Fund.

Money in the Rate Stabilization Fund will be applied in accordance with the Series 2023A Installment Purchase Agreement.

The District may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund and transfer such amounts to the Revenue Fund for application in accordance with the Series 2023A Installment Purchase Agreement or, in the event that all or a portion of the Series 2023A Installment Payments are discharged in accordance with the Series 2023A Installment Purchase Agreement, transfer all or any portion of such amounts for application in accordance with the Series 2023A Installment Purchase Agreement. Amounts transferred from the Rate Stabilization Fund to the Revenue Fund pursuant to the Series 2023A Installment Purchase Agreement within 270 days after the end of a Fiscal Year, may be taken into account as Revenues for purposes of the calculations in the Series 2023A Installment Purchase Agreement in such Fiscal Year.

The District is also permitted to credit Budgeted Transfers (as defined under the caption “—Rate Covenant Under the 2023A Installment Purchase Agreement) from the Rate Stabilization Fund in an amount up to 25% of Debt Service for the applicable Fiscal Year for the purpose of the calculations required by the 2023A Installment Purchase Agreement described under the captions “—Rate Covenant Under the 2023A Installment Purchase Agreement” and “—Additional Contracts and Bonds.”

No Reserve Fund

No reserve fund has been created or funded to secure the Notes.

INVESTMENT CONSIDERATIONS

The following information, in addition to the other matters that are described in this Official Statement, should be considered by prospective investors in evaluating the Notes. However, the following does not purport to be comprehensive, definitive or an exhaustive listing of risks and other considerations that may be relevant to making an investment decision with respect to the Notes. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks. If any risk factor materializes to a sufficient degree, it alone or in combination with other risk factors could delay or preclude payment of principal or interest on the Notes.

Accuracy of Assumptions

To estimate the Net Revenues which will be available to pay the Series 2023A Installment Payments and the Notes, the District has made certain assumptions with regard to various matters, including but not limited to future development within the District, increases in property tax receipts and increases in revenues resulting therefrom, the rates and charges to be imposed in future years, the expenses associated with operating the System and the interest rate at which funds will be invested. The District believes these assumptions to be reasonable, but to the extent that any of such assumptions fail to materialize, the Net Revenues available to pay the Series 2023A Installment Payments and the Notes will, in all likelihood, be less than those projected herein. See the captions “DISTRICT FINANCIAL INFORMATION—Projected Operating Results and Debt Service Coverage” in Appendix A and “SECURITY FOR THE NOTES —Rate Covenant Under the 2023A Installment Purchase Agreement.”

Rates Covenant Not a Guarantee

The Series 2023A Installment Payments and the Notes are payable from Net Revenues. See “SECURITY FOR THE NOTES.” The District’s ability to pay the Installment Payments and debt service on the Notes depends on its ability to generate Net Revenues at the levels required by the 2023A Installment Purchase Agreement. Although the District has covenanted in the 2023A Installment Purchase Agreement and the Indenture to impose rates and charges as more particularly described under the caption “SECURITY FOR

THE NOTES — Rate Covenant Under the 2023A Installment Purchase Agreement” and expects that sufficient Net Revenues will be generated through the imposition and collection of such rates and charges, there is no assurance that the imposition and collection of such rates and charges will result in the generation of Net Revenues in the amounts required by the 2023A Installment Purchase Agreement. No assurance can be made that Net Revenues, estimated or otherwise, will be realized by the District in amounts sufficient to pay the Series 2023A Installment Payments and debt service on the Notes. Among other matters, the availability of and demand for water services, and changes in law and government regulations could adversely affect the amount of Net Revenues realized by the District.

System Demand

There can be no assurance that the demand for water service will occur as described in this Official Statement. Reduction in levels of demand could require an increase in rates or charges in order to comply with the rate covenant. See the caption “SECURITY FOR THE NOTES —Rate Covenant Under the 2023A Installment Purchase Agreement.” Demand for water service could be reduced or may not occur as projected by the District as a result of reduced levels of development in the District’s service area, hydrological conditions, conservation efforts, an economic downturn, mandatory State conservation orders and other factors.

System Expenses

There can be no assurance that the Operation and Maintenance Costs of the System will be consistent with the projections contained in the Official Statement. Such Operation and Maintenance Costs may vary with hydrological conditions, the quality and amount of water supplies, as well as treatment costs, regulatory compliance costs, labor costs (including costs related to pension and other post-employment benefits) and other factors, including but not limited to inflationary factors. Increases in such Operation and Maintenance Costs could require an increase in rates or charges in order to comply with the rate covenant. See the caption “SECURITY FOR THE NOTES —Rate Covenant Under the 2023A Installment Purchase Agreement.”

Availability of SWP Property Tax to pay Water Supply Contract Expenses

The District, like other California State Water Project (“SWP”) contractors, levies the SWP Property Tax on land and taxable property (exclusive of personal property) located within the territorial limits of the District to generate the funds necessary to meet its obligations under the Water Supply Contract. There is litigation challenging the levy and use of SWP Property Tax by the Coachella Valley Water District (“CVWD”), a SWP contractor, to pay expenses under its SWP contract. A decision was rendered by the court on March 14, 2023. See the caption “SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT—Water Supply Contract – Litigation Relating to the SWP Tax” in Appendix A of this Official Statement for a further discussion of the case.

The District’s levy and use of the SWP Property Tax has not been challenged to date. The District does not currently believe that its levy and use of the SWP Property Tax will be adversely impacted by the outcome of the CVWD case. The decision of court in the CVWD case is subject to appeal. The District cannot predict the ultimate outcome of the CVWD case.

1% Ad Valorem Property Tax

A portion of the Revenues securing the payment of the Series 2023A Installment Payments consists of amounts allocated by the Counties of San Bernardino and Riverside from the 1% *ad valorem* property tax to the District. There can be no assurance that the actual amount of 1% *ad valorem* property tax allocated to the District will occur as described in this Official Statement. Factors, including, but not limited to, an economic downturn, natural disasters and an increase in foreclosures on real property in the boundaries of the District, among others, may have an adverse impact on the assessed value of taxable property within the boundaries of

the District, and, consequently, on the amount of 1% *ad valorem* property taxes allocated to the District. In addition, the California electorate or the California legislature could adopt a constitutional or legislative property tax decrease or an initiative with the effect of reducing 1% *ad valorem* property tax allocated to the District. See “SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT—1% Property Tax Revenues” in Appendix A.

Infectious Disease Outbreak and Other Health Emergencies

The COVID-19 pandemic negatively affected economic activity throughout the world, including the United States and the State of California. The initial impacts of stay-at home orders globally was unprecedented, with commerce, travel, asset values and financial markets experiencing disruptions worldwide. The negative effects of the COVID-19 pandemic and its aftermath on global, national and local economies may continue at least for some period of time. Future pandemics and other widespread public health emergencies may arise from time-to-time and can impact broader economic conditions in the affected region. Given the uncertainties surrounding the COVID-19 pandemic, its aftermath and the outbreak of infectious disease in general, there can be no assurances that COVID-19, the outbreak of another infectious disease or governmental actions in response thereto will not materially adversely impact the financial condition of the District in the future. To date, the District does not believe that the impacts of COVID-19 or governmental actions in response thereto and its aftermath will have a material adverse effect on its ability to make the Series 2023A Installment Payments.

Limited Recourse on Default

If the District defaults on its obligation to pay the Series 2023A Installment Payments, the Trustee has the right to declare the total unpaid principal amount of the Series 2023A Installment Payments to be immediately due and payable. However, in the event of a default and such acceleration, there can be no assurance that the District will have sufficient funds to pay such accelerated amounts from Net Revenues.

Natural Disasters and Seismic Considerations

General. The District, like all southern California communities, is subject to unpredictable seismic activity, fires, storms, floods, high winds, landslides or other natural disasters. A severe natural disaster, such as an earthquake, fire, storm, flood, high wind event or landslide, could result in substantial damage to the District, including the System.

Although the District maintains certain insurance for damage to the System as described under the caption “SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT— Insurance” in Appendix A, there can be no assurance that specific losses will be covered by insurance or, if covered, that claims will be paid in full by the applicable insurers.

Seismic Activity. The District is located in a seismically active region. There is potential for destructive ground shaking during the occurrence of a major seismic event. In addition, land along fault lines may be subject to liquefaction during the occurrence of such an event. In the event of a severe earthquake, there may be significant damage to both property and infrastructure within the District, including the System. The District has an emergency response plan that would be implemented under such circumstances.

Newer System facilities are designed to withstand earthquakes with minimal damage, as earthquake loads are taken into consideration in the design of project structures. The impact of lesser magnitude events is expected by the District to be temporary, localized and repairable. The System has never sustained major damage to its facilities or experienced extended incidences of service interruptions as a result of seismic disturbances.

Flooding. The District does maintain insurance covering damage to the System caused by flooding. See the caption “SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT—Insurance” in Appendix A.

Fire. Wildfires have occurred in recent years in different regions of the State. A significant portion of the District’s service area, including areas where District facilities are located, are considered by the Department of Forestry and Fire Protection of the State of California (“CalFire”) to have an elevated risk of wildfires and have been mapped with the California Public Utilities Commission Fire Threat Map as either “Elevated” or “Extreme”. To help address this risk, the District has aggressively pursued wildland fire fuel reduction projects across its service area for many years in close partnership with local, State, and federal fire protection agencies to reduce the risk of wildfire to communities, and more specifically District facilities subject to wildfire risk.

There can be no assurance that fires will not occur within the boundaries of, or adjacent to, the District in the future, leading to decreased usage of the District’s System, decreased ability to generate hydropower, and a decline in Net Revenues. The District carries property insurance for fire damage as described under the caption “SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT—Insurance” in Appendix A.

Drought. On April 1, 2015, for the first time in California’s history, the State Governor directed the State of California Water Resources Control Board to implement mandatory water reductions in cities and towns across California to reduce total water usage in the State by 25%. Such restrictions applied to the District, as described in “SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT—California Drought and Response” in Appendix A. Although most of such mandatory water reductions have since been lifted, the State has since enacted permanent restrictions on water usage.

Hydrological conditions in California can vary widely, both in location and from year to year. The water years 2020 and 2021 combined ranked as the two driest years in California’s statewide precipitation record. (A water year begins on October 1 and ends on the following September 30.) Beginning in April 2021, Governor Newsom signed a series of proclamations, determining that certain counties in the State were in a state of emergency due to drought conditions affecting such areas. On July 8, 2021, Governor Newsom signed Executive Order N-10-21, which asks citizens of the State to voluntarily reduce their water use by 15% compared to 2020 levels. On October 19, 2021, Governor Newsom expanded the drought proclamation to cover all counties in the State. On March 28, 2022, Governor Newsom signed Executive Order N-7-22 to prepare for and mitigate the effects of the ongoing drought by implementing additional shortage response measures on urban water suppliers under Section 10632.1 of the Water Code.

There can be no assurance that prolonged drought conditions will not impact the District’s service area, leading to decreased usage of the System resulting in a decline in Net Revenues, or that the State’s permanent water usage restrictions or the voluntary reductions encouraged by Executive Order N-7-22 will not lead to decreased usage of the District’s System resulting in a decline in Net Revenues.

Climate Change. Climate change caused by human activities may have adverse effects on the District’s System. Climate change can also result in more variable weather patterns throughout the State, which can lead to longer and more severe droughts as well as increased risk of flooding and a rise in sea levels. The District is currently in the process of developed a Resilience Roadmap, also known as the Climate Adaptation and Resilience Plan to address and plan for the future of water supply and variability in climate, with the goal of ensuring that there is reliable access to water in the District’s service area for decades to come. Although the District has not yet adopted a climate action plan, the District considers the potential effects of climate change in its planning.

Projections of the impacts of global climate change on the District are complex and depend on many factors that are outside the District’s control. The various scientific studies that forecast the amount and timing of adverse impacts of climate change are based on assumptions contained in such studies, but actual events

may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, while the District has considered climate change in maintaining and expanding its System, the District is unable to forecast with certainty when adverse impacts of climate change will occur or the extent of such impacts. While the impacts of climate change may be mitigated by the District's past and future investment in adaptation strategies, the District can give no assurance about the net effects of those strategies and whether the District will be required to take additional adaptive mitigation measures.

Limitations on Remedies Available; Bankruptcy

The enforceability of the rights and remedies of the Owners and the obligations of the District may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; equitable principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercising of powers by the federal or State government, if initiated, could subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation or modification of their rights.

The opinion to be delivered by Note Counsel and concurrently with the issuance of the Notes will be subject to such limitations and the various other legal opinions to be delivered concurrently with the issuance of the Notes will be similarly qualified. See Appendix D. In the event that the District fails to comply with its covenants under the 2023A Installment Purchase Agreement or the Indenture or fails to pay the Series 2023A Installment Payments, or the Notes, there can be no assurance of the availability of remedies adequate to protect the interest of the Owners of the Notes.

Limited Obligations

The 2023A Installment Purchase Agreement is a limited obligation of the District payable solely from Net Revenues and secured solely by the Revenues pledged in the 2023A Installment Purchase Agreement. If for any reason, the District does not collect sufficient Revenues to pay the Series 2023A Installment Payments and the Notes, the District will not be obligated to utilize any other of its funds, other than certain amounts on deposit in the funds and accounts established under the 2023A Installment Purchase Agreement and the Indenture, to pay the Notes.

Statutory and Regulatory Compliance

Laws and regulations governing treatment and delivery of water are enacted and promulgated by federal, State and local government agencies. Compliance with these laws and regulations is and will continue to be costly, and, as more stringent standards are developed, such costs will likely increase.

Claims against the System for failure to comply with applicable laws and regulations could be significant. Such claims may be payable from assets of the System and constitute Operation and Maintenance Costs or from other legally available sources. In addition to claims by private parties, changes in the scope and standards for municipal water systems such as that operated by the District may also lead to administrative orders issued by federal or State regulators. Future compliance with such orders can also impose substantial additional costs on the District. In addition to the other limitations described herein, the State electorate or Legislature could adopt a Constitutional amendment, legislation or an initiative with the effect of reducing revenues payable to or collected by the District. No assurance can be given that the cost of compliance with such laws, regulations and orders would not adversely affect the ability of the District to generate Net Revenues in amounts that are sufficient to pay the Series 2023A Installment Payments.

Parity Obligations

The 2023A Installment Purchase Agreement permits the District to issue Bonds and enter into Contracts payable from Net Revenues on a parity with the Series 2023A Installment Payments and the Notes, subject to the terms and conditions set forth therein. The issuance of additional Bonds or the execution of additional Contracts could result in reduced Net Revenues available to pay the Series 2023A Installment Payments. The District has covenanted to use its best efforts to set rates and charges for Water Service, respectively, to maintain coverage of at least 125% of Debt Service, as further described under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE NOTES —Additional Contracts and Bonds.”

Loss of Tax Exemption

Interest on the Notes could become includable in gross income for purposes of federal income taxation retroactive to the date that the Notes were issued as a result of future acts or omissions of the District or the Authority in violation of its covenants in the 2023A Installment Purchase Agreement or the Indenture. In addition, current and future legislative proposals, if enacted into law, may cause interest on the Notes to be subject, directly or indirectly, to federal income taxation by, for example, changing the current exclusion or deduction rules to limit the aggregate amount of interest on state and local government bonds that may be treated as tax exempt by individuals. See the caption “TAX MATTERS.” Should such an event of taxability occur, the Notes are not subject to a special redemption or prepayment and will remain outstanding until maturity.

Secondary Market

There can be no guarantee that there will be a secondary market for the Notes or, if a secondary market exists, that any Notes can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

Cybersecurity

Municipal agencies, like other business entities, face significant risks relating to the use and application of computer software and hardware. Recently, there have been significant cyber security incidents affecting municipal agencies, including a freeze affecting computer systems of the City of Atlanta, an attack on the City of Baltimore’s 911 system, an attack on the Colorado Department of Transportation’s computers and an attack that resulted in the temporary closure of the Port of Los Angeles’ largest terminal.

The District employs a multi-level cyber protection scheme that includes firewalls, anti-virus software, anti-spam/malware software, intrusion protection and domain name system filtering software. The District regularly analyzes the network construct for potential weaknesses in cyber security and thereafter promptly implements solutions for identified shortfalls. To date, the District has not experienced an external attack on its computer operating systems resulting in a data breach. Staff is regularly trained to spot potential scams or inconsistencies in network performance which may indicate system vulnerability. However, there can be no assurance that a future attack or attempted attack would not result in disruption of District operations. The District expects that any such disruptions would be temporary in nature.

Failure to Refund the Notes

The District expects to enter into WIFIA Master Agreement and the 2023 WIFIA Loan on or about June 7, 2023. The District expects to apply the proceeds of one or more draws on 2023 WIFIA Loan to pay the 2023A Installment Payments, which will be applied by the Authority to pay the principal with respect to

the Notes at maturity. The District and the Authority are expected to be required to satisfy certain conditions in order to draw under each WIFIA Loan, including the 2023 WIFIA Loan. As a result, there can be no assurance that any loan proceeds will be available to pay the principal of the Notes at maturity.

If the proceeds of the 2023 WIFIA Loan are not received by the Authority in a timely manner, whether as a result of a failure to honor a draw by the EPA, a default by the Authority or the District under the 2023 WIFIA Loan, or otherwise, the District would need to use reserves, Bonds, Contracts, notes or other obligations to pay the entire principal of the Notes. Debt service on such Bonds, Contracts, notes or other obligations could be materially higher than payments on the 2023 WIFIA Loan. A variety of events could prevent access to the municipal securities market, prohibit the District from issuing such Bonds, Contracts, notes or other obligations, or make the issuance of such Bonds, Contracts, notes or other obligations prohibitively expensive. No assurance can be given that such a financing will be available to the District on sufficiently favorable terms.

Development Default Under the 2023 WIFIA Loan

The District expects that, under the 2023 WIFIA Master Agreement, a “Development Default” will have occurred if, with respect to a project financed from proceeds of the 2023 WIFIA Loan, (a) the District abandons work related to such project or fails, in the reasonable judgment of the EPA, to diligently prosecute the work related to such project or (b) the District fails to achieve the stage at which such project is able to perform the functions for which such project is designed (i.e. substantial completion), within twenty four (24) months following the projected date for substantial completion as set forth in the relevant WIFIA Loan agreement as of the effective date of such WIFIA Loan agreement. If a Development Default occurs, the EPA may, among other remedies, declare the unpaid principal amount of related WIFIA Loan to be immediately due and payable. In such circumstance, the District would either need to pay such amount from available Revenues or issue Bonds or incur Contracts or other obligations to pay such amount. Debt service on such Bond or Contracts could be materially higher than payments on the 2023 WIFIA Loan. During the construction of the projects eligible to be funded from the 2023 WIFIA Loan, the District currently expects to pay eligible project costs from proceeds interim obligations issued to fund such projects, such as the Notes, rather than from proceeds of the 2023 WIFIA Loan.

THE AUTHORITY

The Authority is a joint powers authority organized pursuant to the JPA Agreement. The JPA Agreement was entered into pursuant to the provisions of the Act. The members of the Authority were the District, San Bernardino Valley Water Conservation District and Yucaipa Valley Water District. Additional members may join the Authority in the future upon a unanimous vote of the Board of directors of the Authority. The Authority is governed by a board of directors, which is comprised of one member appointed by each of the members of the Authority. The Authority was created to provide for financing and refinancing of projects on behalf of the members of the Authority, working capital for the members and the other costs described in the Act by exercising the powers referred to in the JPA Agreement and providing an organizational framework for the implementation of the financing of the Upper Santa Ana River Watershed Infrastructure Program.

CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES

Article XIII B

Article XIII B of the State Constitution limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and population. The “base year” for establishing such appropriation limit is the 1978-79 fiscal year and the limit is to be adjusted annually to reflect changes in population and consumer prices. Adjustments in the

appropriations limit of an entity may also be made if (i) the financial responsibility for a service is transferred to another public entity or to a private entity, (ii) the financial source for the provision of services is transferred from taxes to other revenues, or (iii) the voters of the entity approve a change in the limit for a period of time not to exceed four years.

Appropriations subject to Article XIII B generally include the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions and refunds of taxes. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to an entity of government from (a) regulatory licenses, user charges, and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation), and (b) the investment of tax revenues. Article XIII B includes a requirement, at agencies where it applies, that if an entity’s revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Certain expenditures are excluded from the appropriations limit including payments of indebtedness existing or legally authorized as of January 1, 1979, or of bonded indebtedness thereafter approved by the voters and payments required to comply with court or federal mandates which without discretion require an expenditure for additional services or which unavoidably make the providing of existing services more costly.

The District is of the opinion that the rates imposed by the District do not exceed the costs the District reasonably bears in providing water service and therefore are not subject to the limits of Article XIII B. The District will covenant in the 2023A Installment Purchase Agreement that, to the fullest extent permitted by law, it will fix and prescribe, at the beginning of each Fiscal Year, rates and charges which are reasonably expected to be sufficient to provide Fiscal Year Net Revenues equal to 125% of the Debt Service for such Fiscal Year, as further described under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE NOTES—Additional Contracts and Bonds.”

Proposition 218

General. An initiative measure entitled the “Right to Vote on Taxes Act” (the “Initiative”) was approved by the voters of the State at the November 5, 1996 general election. The Initiative added Article XIII C and Article XIII D to the State Constitution. According to the “Title and Summary” of the Initiative prepared by the State Attorney General, the Initiative limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.”

Article XIII D. Article XIII D defines the terms “fee” and “charge” to mean “any levy other than an *ad valorem* tax, a special tax or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property-related service.” A “property-related service” is defined as “a public service having a direct relationship to property ownership.” Article XIII D further provides that reliance by an agency on any parcel map (including an assessor’s parcel map) may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership.

Article XIII D requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, if and to the extent that a fee or charge imposed by a local government for water service is ultimately determined to be a “fee” or “charge” as defined in Article XIII D, the local government’s ability to increase such fee or charge may be limited by a majority protest.

In addition, Article XIII D includes a number of limitations applicable to existing fees and charges, including provisions to the effect that: (i) revenues derived from the fee or charge shall not exceed the funds

required to provide the property-related service; (ii) such revenues shall not be used for any purpose other than that for which the fee or charge was imposed; (iii) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel; and (iv) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

Based upon the California Court of Appeals decision in *Howard Jarvis Taxpayers Association v. City of Los Angeles*, 85 Cal. App. 4th 79 (2000), which was denied review by the California Supreme Court, it was generally believed that Article XIID did not apply to charges for water services that are “primarily based on the amount consumed” (i.e., metered water rates), which had been held to be commodity charges related to consumption of the service, not property ownership. The Supreme Court stated in *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal.4th 205 (2006) (the “*Bighorn Case*”), however, that fees for ongoing water service through an existing connection were properly-related fees and charges. The Supreme Court specifically disapproved the holding in *Howard Jarvis Taxpayers Association v. City of Los Angeles* that metered water rates are not subject to Proposition 218.

Notwithstanding the decision in the *Bighorn Case*, the District believes that the charges that the District is authorized to levy under the Water Code of the State do not constitute “fees” within the meaning of Proposition 218 because such charges are charged to groundwater pumpers and other water producers incidental to their production of groundwater from the groundwater basin, and generally are not charged to owners of property or end users of water. As a wholesale water seller, the District does not own or operate any local, retail water distribution system or facilities and the notice, hearing and protest procedures in Article XIID do not apply to the District with respect to water rate increases.

Article XIIC. Article XIIC provides that the initiative power will not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges will be applicable to all local governments. Article XIIC does not define the terms “local tax,” “assessment,” “fee” or “charge,” so it was unclear whether the definitions set forth in Article XIID referred to above are applicable to Article XIIC. Moreover, the provisions of Article XIIC are not expressly limited to local taxes, assessments, fees and charges imposed after November 6, 1996. On July 24, 2006, the Supreme Court held in the *Bighorn Case* that the provisions of Article XIIC included rates and fees charged for domestic water use. In the decision, the Court noted that the decision did not address whether an initiative to reduce fees and charges could override statutory rate setting obligations. The District does not believe that Article XIIC grants to the voters within the District the power to repeal or reduce the water charges in a manner which would be inconsistent with the contractual obligations of the District. However, there can be no assurance of the availability of particular remedies adequate to protect the beneficial owners of the Notes. Remedies available to beneficial owners of the Notes in the event of a default by the District are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time-consuming to obtain.

In addition to the specific limitations on remedies contained in the applicable documents themselves, the rights and obligations with respect to the Notes, the Indenture and the 2023A Installment Purchase Agreement are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors’ rights, to the application of equitable principles if equitable remedies are sought, and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State. The various opinions of counsel to be delivered with respect to such documents, including the opinion of Note Counsel (the form of which is attached as Appendix D), will be similarly qualified.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity. The District does not believe that the enactment of Proposition 26 affects its ability to charge for its water service.

Future Initiatives

Articles XIII B, XIII C and XIII D were adopted as measures that qualified for the ballot pursuant to the State’s initiative process. From time to time other initiatives could be proposed and adopted affecting the District’s revenues or ability to increase revenues.

APPROVAL OF LEGAL PROCEEDINGS

The valid, legal and binding nature of the Notes is subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, acting as Note Counsel and certain other conditions. The form of such legal opinion is attached hereto as Appendix D and such legal opinion will be attached to each Note. The Underwriter is being represented by its counsel, Hawkins Delafield & Wood LLP. Certain legal matters will be passed upon for the District by Varner Brandt LLP, as the General Counsel of the District, for the Authority by Varner Brandt LLP, as General Counsel to the Authority, for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel and for the Trustee by its counsel.

Payment of the fees of Stradling Yocca Carlson & Rauth, a Professional Corporation, are contingent on the issuance of the Notes. Stradling Yocca Carlson & Rauth, a Professional Corporation, jointly represents the Authority and the District with respect to the issuance of the Notes and certain matters related to the Official Statement. Stradling Yocca Carlson & Rauth, a Professional Corporation, represents the Underwriter from time-to-time on matters unrelated to the Authority, the District or the Notes. Stradling Yocca Carlson & Rauth, a Professional Corporation, does not represent the Underwriter or any other party in connection with the issuance of the Notes other than the Authority and the District.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Note Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Notes is excluded from gross income for federal income tax

purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. However, it should be noted that for tax years beginning after December 31, 2022, with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”), generally certain corporations with more than \$1,000,000,000 of average annual adjusted financial statement income, interest (and original issue discount) with respect to the Notes might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations. In the further opinion of Note Counsel, interest (and original issue discount) on the Notes is exempt from State of California personal income tax.

The excess of the stated redemption price at maturity of a Note over the issue price of a Note (the first price at which a substantial amount of the Notes of a maturity is to be sold to the public) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Note Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Note Owner will increase the Note Owner’s basis in the applicable Note.

Note Counsel’s opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Notes is based upon certain representations of fact and certifications made by the District, the Authority and others and is subject to the condition that the District and the Authority comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Notes to assure that interest (and original issue discount) on the Notes will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes. The District and the Authority have covenanted to comply with all such requirements.

In the opinion of Note Counsel, the difference between the issue price of a Note (the first price at which a substantial amount of the Notes of a maturity is to be sold to the public) and the stated redemption price at maturity of such Note constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Note Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Note Owner will increase the Note Owner’s basis in the applicable Note. The amount of original issue discount that accrues to the Owner of a Note is excluded from the gross income of such Note Owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, and is exempt from State of California personal income tax.

The amount by which a Note Owner’s original basis for determining loss on sale or exchange in the applicable Note (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the Note Owner’s basis in the applicable Note (and the amount of tax-exempt interest received with respect to the Notes), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Note Owner realizing a taxable gain when a Note is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Note to the Owner. Purchasers of the Notes should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The IRS has initiated an expanded program for the auditing of tax exempt bond issues, including both random and targeted audits. It is possible that the Notes will be selected for audit by the IRS. It is also possible that the market value of the Notes might be affected as a result of such an audit of the Notes (or by an audit of similar municipal obligations). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to

the issuance of the Notes to the extent that it materially adversely affects the exclusion from gross income of interest (and original issue discount) on the Notes or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE NOTES THERE MIGHT BE FEDERAL, STATE OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE OR LOCAL TAX TREATMENT OF THE NOTES, INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE NOTES. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE NOTES. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE NOTES STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE NOTES, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE NOTES.

Note Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Note Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture, the 2023A Installment Purchase Agreement and the Tax Certificate relating to the Notes permit certain actions to be taken or to be omitted if a favorable opinion of Note Counsel is provided with respect thereto. Note Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Note if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Although Note Counsel has rendered an opinion that interest (and original issue discount) on the Notes is excluded from gross income for federal income tax purposes provided that the District continues to comply with certain requirements of the Code, the ownership of the Notes and the accrual or receipt of interest (and original issue discount) on the Notes may otherwise affect the tax liability of certain persons. Note Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Notes, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Notes.

Should interest (and original issue discount) on the Notes become includable in gross income for federal income tax purposes, the Notes are not subject to early redemption and will remain outstanding until maturity or until redeemed in accordance with the Indenture.

AUTHORITY LITIGATION

There is no action, lawsuit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the knowledge of the Authority, threatened against the Authority affecting the existence of the Authority or the titles of its officers to their respective offices or seeking to restrain or to enjoin the sale or delivery of the Notes, the application of the proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the action of the Authority contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the Authority or its authority with respect to the Notes or any action of the Authority contemplated by any of said documents.

DISTRICT LITIGATION

There is no action, lawsuit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the knowledge of the District, threatened against the District affecting the existence of the District or the titles of its officers to their respective offices or seeking to restrain or to enjoin the sale or delivery of the Notes, the application of the proceeds thereof in accordance with the Indenture, the execution and delivery of the 2023A Installment Purchase Agreement, or in any way contesting or affecting the action of the District contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the District or its authority with respect to the Notes or any action of the District contemplated by any of said documents.

RATING

S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("S&P"), has assigned the Notes the rating of "_____." A securities rating is not a recommendation to buy, sell or hold securities. There is no assurance that the credit rating given to the Notes will be maintained for any period of time or that the rating may not be lowered or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any downward revision or withdrawal of such rating may have an adverse effect on the market price of the Notes. Such rating reflects only the view of S&P, and an explanation of the significance of such rating may be obtained from S&P.

The District has covenanted in a Continuing Disclosure Certificate to file on EMMA, notices of any rating changes on the Notes. See the caption "CONTINUING DISCLOSURE UNDERTAKING" below and Appendix F—"FORM OF CONTINUING DISCLOSURE CERTIFICATE." Notwithstanding such covenant, information relating to rating changes on the Notes may be publicly available from S&P prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system ("EMMA"). Purchasers of the Notes are directed to S&P and its website and official media outlets for the most current rating changes with respect to the Notes after the initial issuance of the Notes.

In providing a rating on the Notes, S&P may have performed independent calculations of coverage ratios using its own internal formulas and methodology which may not reflect the provisions of the 2023A Installment Purchase Agreement. The District makes no representations as to any such calculations, and such calculations should not be construed as a representation by the District as to past or future compliance with any financial covenants, the availability of particular revenues for the payment of Series 2023A Installment Payments or for any other purpose.

UNDERWRITING

The Notes will be purchased by Citigroup Global Markets Inc. (the "Underwriter"), pursuant a Purchase Contract (the "Purchase Contract"), by and among the District, the Authority and the Underwriter. Under the Purchase Contract, the Underwriter has agreed to purchase all, but not less than all, of the Notes for an aggregate purchase price of \$_____ (representing the principal amount of the Notes, less an underwriter's discount of \$_____ plus original issue premium of \$_____). The Purchase Contract provides that the Underwriter will purchase all of the of Notes if any are purchased, the obligation to make such a purchase being subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel and certain other conditions.

Citigroup Global Markets Inc., the Underwriter of the Notes, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution agreement, Citigroup Global Markets Inc. may distribute

municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter and its affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the District for which they received or will receive customary fees and expenses. In addition, certain affiliates of the Underwriter are lenders, and in some cases agents or managers for the lenders, under credit and liquidity facilities.

In the ordinary course of their various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the District.

The initial public offering prices stated on the inside front cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Notes to certain dealers (including dealers depositing Notes into investment trusts), dealer banks, banks acting as agents and others at prices lower than said public offering prices.

MUNICIPAL ADVISOR

The Authority and the District have retained Fieldman, Rolapp & Associates, Inc., Irvine, California (the “Municipal Advisor”) as municipal advisor in connection with the issuance of the Notes. The Municipal Advisor is not obligated to undertake and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The fees being paid to the Municipal Advisor are contingent upon the issuance of the Notes.

The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

CONTINUING DISCLOSURE UNDERTAKING

The District has covenanted in a Continuing Disclosure Certificate for the benefit of the holders and beneficial owners of the Notes to provide certain financial information and operating data relating to the District by not later than the 270 days following the end of the District Fiscal Year (currently the District Fiscal Year ends on the last day of June) (the “District Annual Report”), commencing with the report for the District Fiscal Year ending June 30, 2023, and to provide notices of the occurrence of certain enumerated events. The District Annual Report and the notices of enumerated events will be filed by the District with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system (“EMMA”). The specific nature of the information to be contained in the District Annual Report and the notice of material events is set forth in Appendix F—“FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriter in complying with Section (b)(5) of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934.

The District has not failed to comply in all material respects with its continuing disclosure undertakings in the past five years.

MISCELLANEOUS

Insofar as any statements made in this Official Statement involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of such statements made will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the Owners of the Notes.

The execution and delivery of this Official Statement have been duly authorized by the District and the Authority.

**UPPER SANTA ANA RIVER WATERSHED
INFRASTRUCTURE FINANCING AUTHORITY**

By: _____
Chair, Board of Directors

APPENDIX A

SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT

General

The San Bernardino Valley Municipal Water District (the “District”) is a municipal water district created on February 17, 1954, under the Municipal Water District Law (Water Code Section 71000 et seq.) for the purpose of managing groundwater levels in the area within the District’s boundaries and making sufficient water available to the lands and inhabitants within its jurisdiction.

The District is responsible for long range supplemental water supply planning within the District’s service area. The supplemental water supply of the District consists of surface water from the California State Water Project (the “SWP”) as well as local stormwater. The District also pumps groundwater from the Baseline Feeder Project described below. The District purchases supplemental water from the SWP pursuant to the terms of the Water Supply Contract (the “Water Supply Contract”) between the District and the California Department of Water Resources (“DWR”) entered into in 1960. The Water Supply Contract provides up to 102,600 acre feet per year of Table A entitlement from the SWP, subject to the terms and conditions contained therein. See the caption “—Water Supply Contract” for a discussion of the current reliability of the SWP.

The District owns certain pipelines and related facilities necessary to deliver SWP water to wholesale customers but does not own or operate any retail water distribution system or facilities.

In 1990, the District and three retail water agencies, the City of Rialto, Riverside Highland Water Company and West San Bernardino County Water District (now known as West Valley Water District) (collectively, the “Baseline Feeder Retail Agencies”), entered into agreements to construct two groundwater wells in the City of San Bernardino and a pipeline to deliver groundwater to the Baseline Feeder Retail Agencies (the “Baseline Feeder Project”). The two wells originally constituting the Baseline Feeder Project were originally capable of pumping a combined 8,500 gallons per minute, with the District holding entitlements to pump without a volume restriction. The delivery pipeline consists of a 48 inch diameter pipe extending 4 miles along Ninth Street and Baseline Street in the City of San Bernardino to the San Bernardino County Flood Control District’s Cactus spreading grounds. The Baseline Feeder Retail Agencies entered into contracts with the District in 1990 for the delivery of water from the Baseline Feeder Project. See the caption “SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT—Water Sales—*Baseline Feeder Project*” for further information with respect to the contracts with the Baseline Feeder Retail Agencies.

The District and Western Municipal Water District may also divert up to 198,317 acre feet of water per year from the Santa Ana River subject to the terms and conditions of two Permits for Diversion and Use of Water issued by the State of California Water Resources Control Board (the “SWRCB”). See the caption “—Water Supply Within the District.” Since 2010, over 92,000 acre-feet of water have been diverted under these permits. Construction on the Enhanced Recharge 1B Project commenced in April 2023 and is expected to be completed in March 2026. The District expects that the Enhanced Recharge 1B Project will increase the diversion capability up to approximately 80,000 acre-feet per year. See “PLAN OF FINANCE” in the front part of this Official Statement. The District and Western Municipal Water District have also identified additional projects which, if completed, are expected to increase the total diversion capacity up to the maximum diversion amount of 198,317 acre-feet per year.

On July 20, 2021, the District approved an agreement to create the Upper Santa Ana River Watershed Infrastructure Financing Authority (the “Authority”) among the District, Yucaipa Valley Water District, San Bernardino Valley Water Conservation District, and Western Municipal Water District (collectively, the “Members”). The Members, through the development and implementation of the Upper Santa Ana River Watershed Infrastructure Program, also called “Watershed Connect,” aim to invest in projects to modernize

aging infrastructure and to address issues facing the region and its Members, such as the impacts of climate change, drought and the need for cooperative water management to assure safe and reliable drinking water and environmental restoration.

Watershed Connect is a multiphase program comprised of interconnected water capture, recharge, storage, treatment, and conveyance projects that will collectively maximize the use and reuse of local water resources, while attaining a healthy, functional river ecosystem that supports multiple federally and state-protected species. The purpose of the program is to achieve regional water supply security, resilience to extended drought and the effects of climate change, and enhance the health of the Upper Santa Ana River Watershed. The 2023 Project represents the first phase of the District’s portion of the WIFIA Project and the larger Watershed Connect program. For more information with respect to the 2023 Project, the WIFIA Project and Watershed Connect, see the caption “PLAN OF FINANCE—The 2023 Project” in the front part of this Official Statement and “—Upper Santa Ana Watershed Integrated Regional Water Management Plan” in this Appendix A.

Land and Land Use

The District’s boundaries include approximately 353 square miles of land in southwestern San Bernardino County and a small portion of Riverside County. The District’s service area encompasses the cities and communities of Bloomington, Colton, East Highlands, Grand Terrace, Highland, Loma Linda, Mentone, Redlands, Rialto, Yucaipa, San Bernardino and portions of Fontana and unincorporated Riverside County. The population within the District’s service area is approximately 714,000.

Governance And Management

Board of Directors. The District is governed by a five-member board of directors (the “Board of Directors”), the members of which are elected to four-year terms from geographical divisions by the registered voters residing in each division of the District. The current members of the Board of Directors, the expiration dates of their terms and their occupations are set forth below.

<i>Name</i>	<i>Division</i>	<i>Term Expires</i>	<i>Occupation</i>
June Hayes, Vice President	I	2024	Psychologist
Gil J. Botello	II	2024	City of Los Angeles Department of Aging Project Coordinator
Susan Longville	III	2026	Water Policy Analyst
T. Milford Harrison, Treasurer	IV	2026	Government Relations Consultant
Paul R. Kielhold, President	V	2026	Resource Specialist

Key District Staff Members. Day-to-day management of the District is delegated to the Chief Executive Officer/General Manager, Heather Dyer, M.S., M.B.A. Ms. Dyer has served as the General Manager of the District since 2019 and has been with the District since 2014, previously serving as Senior Water Resources Project Manager and Fish Biologist. Ms. Dyer is responsible for the overall administration of the District based on policy direction from the Board of Directors and represents the District on the boards of the State Water Project Contractors Authority and the Southern California Water Committee. Ms. Dyer has 12 years of experience in the California water industry, including management of wholesale, retail, and regional public agencies. Ms. Dyer has a Bachelor of Science in Resource Biology from the University of Louisiana at Lafayette and a Master of Science in Marine and Environmental Biology from Nicholls State University. In 2019, she earned an Executive Masters of Business Administration from Claremont Graduate University with concentration certificates in Leadership, Strategy and General Management. Prior to coming to the District, Ms. Dyer worked as the Santa Ana River lead biologist for the United States Fish and Wildlife Service at the Carlsbad and Palm Springs, California offices.

Cindy Saks, CPA, is the Chief Financial Officer/Deputy General Manager of the District. Ms. Saks has been with the District since February 2007. Based upon the policy decisions set by the Board of Directors, she is responsible for managing all aspects of the financial activities of the District. Ms. Saks graduated from California State University, San Bernardino with a Bachelor of Science in Business Administration, with an emphasis in Accounting. Ms. Saks is a Certified Public Accountant and has over twenty years of experience in public accounting as an Audit Manager conducting independent financial audits of various water districts. From 2012 through 2017, Ms. Saks was a board member of four separate and independent oversight boards created by successor agencies in the cities of Grand Terrace, Redlands, Highland and Colton. Since 2018, she has been a Director on the San Bernardino Countywide Oversight Board and is currently the Vice Chairman. The Oversight Board oversees and approves wind down actions of the successor agencies to the former redevelopment agencies within San Bernardino County. The Oversight Board has a fiduciary responsibility to the holders of enforceable obligations and the taxing entities that benefit from distributions of property tax and other revenues. Throughout her accounting career, Ms. Saks acquired broad experience in evaluating business policies and procedures, reviewing internal controls and performing analytical financial reviews. She is a member of the California Society of Certified Public Accountants and the California Society of Municipal Finance Officers.

Employees

The District currently employs 35 persons, of whom 10 work in operations, 11 work in administration, 11 work in engineering/water resources and 3 work in environmental roles. District legal services are provided by contract between the District and the firm of Varner Brandt LLP. None of the employees of the District are presently represented by a union. The District has not experienced any strikes or other labor actions.

Defined Benefit Pension Plan

Summary of CalPERS Plans. All qualified permanent and probationary employees of the District are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (the “Plan”) administered by the California Public Employees’ Retirement System (“CalPERS”). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under generally accepted accounting principles. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The District sponsors three miscellaneous rate plans. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS’ website, at www.calpers.ca.gov.

Benefits provided. CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to Plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the California Public Employees’ Retirement Law (“PERL”).

The Plan operates under the provisions of the PERL, the California Public Employees’ Pension Reform Act of 2013 (“PEPRA”), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plan’s authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.

The Plan's provisions and benefits in effect on June 30, 2022 are summarized as follows:

	Prior to January 1, 2011	On or after January 1, 2011 and prior to January 1, 2013	On or after January 1, 2013
Hire date			
Benefit formula	3.0% @ 60	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-60	50-60	52-62
Monthly benefits, as a % of eligible compensation	2.0%-3.0%	1.92%-2.0%	1.0%-2.0%
Required employee contribution rates	8.0%	7.0%	7.5%
Required employer contribution rates	17.200%	10.470%	8.090%

Contributions. Section 20814(c) of the PERL requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Employer Contributions to the Plan for Fiscal Year 2021-22 were \$778,783. The actual employer payments of \$627,920 made to CalPERS by the District during the measurement period ended June 30, 2021 differed from the District's proportionate share of the employer's contributions of \$1,288,593 by \$660,673, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

Net Pension Liability. The District's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2021, using an annual actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

Actuarial methods and assumptions used to determine total pension liability. All other actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website, at www.calpers.ca.gov.

Miscellaneous

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ⁽¹⁾	Derived using CALPERS' membership data for all Funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% until purchasing power protection allowance floor on purchasing power applies, 2.50% thereafter.

⁽¹⁾ The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

Change of assumptions. There were no change of assumptions for measurement date June 30, 2021.

For additional information relating to the Plan, including but not limited to the long-term expected rate of return on Plan investments, the discount rate used to measure the District's total pension liability, subsequent events, the Plan's fiduciary net position, the District's proportionate share of the net pension liability, the sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate, the amortization of deferred outflows and deferred inflows of resources and pension expense and deferred outflows and deferred inflows of resources related to the Plan, see Note 9 to the District's audited financial statements for Fiscal Year 2021-22 attached hereto as Appendix B.

Other Post-Employment Benefits

Plan Description. The District offers a health care plan to active and retired employees, as well as their qualified dependents. For employees hired prior to April 19, 2011, the District pays the entire cost of the monthly medical and dental insurance premiums for retired employees and their dependents who have reached at least age 50 with a minimum of 10 years of service. District-provided benefits continue for the life of the retiree and eligible family members. Benefits are also continued to surviving family members in the event of the death of an active eligible employee if age plus service at death equals 60 or more. For employees hired after April 19, 2011, who have reached at least age 60 with a minimum of 15 years of service, the District pays the entire cost of the monthly medical and dental insurance premiums for retired employees and their dependents until the employee reaches the age of Medicare eligibility as determined by the United States Department of Health and Human Services. The District participates in the Association of California Water Agencies' health benefit programs and Delta Dental of California. Retirees may enroll in any of the single-employer benefit plans offered by the District. The authority to establish and amend postemployment benefits resides with the District's Board of Directors.

The District intends to pre-fund its other postemployment benefits ("OPEB") with CalPERS through the California Employers' Retiree Benefits Trust Fund ("CERBT"). The CERBT is a trust fund that allows public employers to pre-fund the future cost of their retiree health insurance benefits and OPEB obligations for their covered employees or retirees. Employers that elect to participate in the CERBT make contributions into the trust fund. Participating employers use investment earnings to pay for retiree health benefits, similar to the CalPERS pension trust. CalPERS issues a publicly available annual financial report that includes financial statements and required supplementary information for the CERBT. That report may be obtained by writing to

CalPERS Headquarters, Lincoln Plaza North, 400 Q Street, Sacramento, CA 95811, or on the internet at www.calpers.ca.gov.

Employees covered. As of the June 30, 2021 actuarial valuation, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	30
Inactive employees or beneficiaries currently receiving benefits	<u>10</u>
Total	40

Contributions. The Plan and its contribution requirements are established by ordinance and may be amended by Board action to update the original ordinance. The annual contribution is based on the actuarially determined contribution. For Fiscal Year 2021-22, the District's cash contributions were \$608,247 in payments to the CERBT.

Net OPEB liability. The District's net OPEB liability was measured as of June 30, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2020, based on the following actuarial methods and assumptions:

Actuarial Assumptions:

Discount Rate	6.73%
Inflation	2.01%
Salary Increases	3.25% annual increases
Investment Rate of Return	6.73%
Mortality Rate	The mortality rates used in this valuation are those used in the CalPERS 2017 experience study.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class.

For additional information relating to the District's OPEB plan, including but not limited to the discount rate used to measure the District's total OPEB liability, changes in the District's OPEB liability during Fiscal Year 2021-22, the sensitivity of the District's net OPEB liability to changes in the discount rate, the sensitivity of the District's net OPEB liability to changes in the health care cost trend rates, the OPEB plan fiduciary net position, the recognition of deferred outflows and deferred inflows of resources and the OPEB expense and deferred outflows/inflows of resources related to OPEB, see Note 10 to the District's audited financial statements for Fiscal Year 2021-22 attached hereto as Appendix B.

Budget Process

Prior to July 1 of each year, the Board of Directors reviews estimated revenues for the upcoming Fiscal Year (ending June 30) based on the adopted schedule of fees, rates and charges. The budget for Fiscal Year 2022-23 was adopted on June 21, 2022. The budget for Fiscal Year 2022-23 has not been amended since its adoption.

Substantially all costs under the Water Supply Contract and substantially all District general and administrative costs and capital expenses are paid from the SWP Property Tax (as hereinafter defined), which is an *ad valorem* property tax levied on property within the District predating the voter approval requirements of Proposition 13, from the portion of 1% *ad valorem* property tax levied in San Bernardino and Riverside Counties that is allocated to the District and from amounts received by the District from certain retail water agencies that purchase water from the District.

The District generates the funds necessary to meet its obligations under the Water Supply Contract by levying a property tax (the “SWP Property Tax”) on land and taxable property (exclusive of personal property) located within the territorial limits of the District. The District currently levies the SWP Property Tax within its jurisdiction at the rate of \$0.1300 per \$100 of assessed valuation on land only (the “Assessment”). The Assessment is levied by the County of San Bernardino and the County of Riverside for each County fiscal year and secured by a lien on the property taxed. The SWP Property taxes are excluded from the definition of Revenues under the 2023A Installment Purchase Agreement and are not available to pay the Series 2023A Installment Payments. However, the District pays an administrative charge from the proceeds of the SWP Property Tax for the costs of the District allocable to District operations undertaken in connection with the administration of the Water Supply Contract. Such administrative charge is included in Revenues and has historically been equal to approximately five percent of the SWP Property Tax levied in the applicable Fiscal Year. See the captions “DISTRICT FINANCIAL INFORMATION—Historic Operating Results” and “—Projected Operating Results and Debt Service Coverage.” There has been recent litigation regarding the collection and use of the SWP Property Tax by another SWP contractor. See captions “Water Supply Contract – Litigation Relating to the SWP Tax” herein and “Investment Considerations – Availability of SWP Property Tax to pay Water Supply Contract Expenses.”

The District’s budget for Fiscal Year 2022-23, as originally adopted, assumed a 5% SWP allocation for Fiscal Year 2022-23. However, as described under the caption “—Water Supply Contract” in this Appendix A, on April 20, 2023, after previously increasing the 2023 allocation from the initial allocation, DWR announced that the SWP allocation for 2023 had been increased to 100% of contract amounts due to increased precipitation experienced at the end of calendar year 2022 and the beginning of calendar year 2023. This current allocation is up from an initial allocation of 5% of contract amounts from the beginning of the year. The District’s budget for Fiscal Year 2022-23 has not been amended since its original adoption and the District does not expect to amend the Fiscal Year 2022-23 budget to reflect the increase in expected SWP allocation for 2023.

Insurance

The District currently has a comprehensive portfolio of insurance coverage through various insurance providers. During Fiscal Year 2022-2023, the District maintained the following coverages:

- Property Loss: Insured up to \$100,000,000 per occurrence (total insurable value of \$53,462,121 as of February 2, 2023), with a \$5,000 deductible for buildings, personal property, fixed equipment, mobile equipment, and licensed vehicles.
- Boiler and Machinery: Insured up to \$100,000,000 per occurrence (total insurable value of \$53,462,121 as of February 2, 2023), with a \$10,000 deductible for boiler and machinery breakdown.
- Auto Liability: Insured up to \$1,000,000 per occurrence with no deductible for property damage. (Total insurable value of \$631,870 as of February 2, 2023)
- Information Security and Privacy Liability: Insured up to \$2,000,000 per occurrence with no deductible for security and privacy breaches.
- Pollution Liability: Insured up to \$2,000,000 per occurrence with no deductible for underground storage tanks.
- Earthquake Shock: Insured up to \$2,500,000 per occurrence with an annual aggregate limit of \$2,500,000 for property damage. Insured up to \$5,000,000 per occurrence and an annual aggregate limit of \$10,000,000 for vehicles and contractor’s equipment.

- Flood: Insured up to \$10,000,000 per occurrence with an annual aggregate limit of \$10,000,000 in certain specified flood zones (inclusive of all 100-year flood exposure) for property damage. Insured up to \$5,000,000 per occurrence and an annual aggregate limit of \$10,000,000 for vehicles and contractor's equipment.

The District has obtained liability, property and workers compensation insurance through Association of California Water Agencies Joint Power Insurance Authority beginning in July 2021.

The District pays annual premiums for these coverages. They are subject to retrospective adjustments based on claims experience. The nature and amounts of these adjustments cannot be estimated and are charged to expense as invoiced. There have been no significant reductions in insured liability coverage from coverage in the prior year, and there were no instances in the past three years where a settlement exceeded the District's coverage.

For additional information relating to the District's insurance coverage, see Note 14 to the District's audited financial statements for Fiscal Year 2021-22 attached hereto as Appendix B.

1% Property Tax Revenues

General. The Counties of San Bernardino and Riverside (each, a "County") levy a 1% *ad valorem* property tax on behalf of all taxing agencies in each County, including the District. The taxes collected are allocated to taxing agencies within each County, including the District, on the basis of a formula established by State law enacted in 1979. Under this formula, each County and all other taxing entities receives a base year allocation plus an allocation on the basis of "situs" growth in assessed value (new construction, change of ownership and inflation) prorated among the jurisdictions, which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas, which were developed to permit the levying of taxes for less than countywide or less than citywide special districts.

For Fiscal Year 2021-22, the allocation received by the District, including unitary tax (which constitutes "Property Tax Revenues"), was \$11,817,868, compared to \$11,050,494 actually received in Fiscal Year 2020-21. Such Property Tax Revenues also include unpaid taxes from prior years and supplemental taxes. Property Tax Revenues as a percentage of the total Revenues of the District averaged approximately 31.3% over the last five years. See the caption "DISTRICT FINANCIAL INFORMATION" for a discussion of historic and projected Property Tax Revenues.

From time to time legislation has been considered as part of the State budget to shift the 1% *ad valorem* property tax revenues from special districts to school districts or other governmental entities. For example, the State fiscal year 2004-05 budget reallocated additional portions of the special districts' shares of the countywide 1% *ad valorem* property tax, shifting a portion of the 1% *ad valorem* property tax revenues collected by each County from special districts to school districts.

On November 2, 2004, State voters approved Proposition 1A, which amended the State Constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State may not: (i) reduce local sales tax rates or alter tax allocations; (ii) shift property taxes from local governments to schools or community colleges; (iii) change how property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature; or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Beginning in Fiscal Year 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if: (a) the Governor proclaims that the shift is needed due to a severe financial hardship; and (b) the State Legislature approves the shift by a two-thirds vote of both houses. Under such a shift, the State of California must repay local governments for their property tax losses with interest within three years.

On November 2, 2010, California voters approved Proposition 22, the provisions of which superseded many of the provisions of Proposition 1A. Proposition 22: (i) prohibits the State from shifting or delaying the distribution of funds from special districts to schools and community colleges; (ii) eliminates the authority to shift property taxes temporarily during a severe financial hardship of the State; and (iii) restricts the State’s authority to use fuel tax revenues to pay debt service on transportation bonds, to borrow or change the distribution of fuel tax revenues or to use Vehicle License Fee revenues to reimburse local governments for state-mandated costs.

Notwithstanding Proposition 22, there can be no assurance that the Property Tax Revenues the District currently expects to receive will not be temporarily shifted from the District pursuant to State legislation in the future. If the property tax formula is permanently changed in the future, it could have a material adverse effect on the receipt of Property Tax Revenues by the District. See the caption “SECURITY FOR THE NOTES—Series 2023A Installment Payments Are Limited Obligations Payable from Net Revenues” in the front part of this Official Statement for a discussion of the extent to which Property Tax Revenues are available to pay the Series 2023A Installment Payments.

Assessed Valuations and Tax Collections. The following tables show the secured assessed valuation, tax collections and rate of tax collections within each County and the amount received by the District of the 1% property tax during the five most recent Fiscal Years.

**County of San Bernardino
Secured Assessed Valuation and Tax Allocation Record
Fiscal Years Ending June 30, 2019 Through June 30, 2023**

<i>Fiscal Year</i>	<i>Total Secured Assessed Valuation⁽²⁾</i>	<i>General 1% Property Tax Allocated to District⁽¹⁾</i>	<i>Unitary Tax Allocated to District</i>	<i>Total District Allocations</i>
2022-23	\$43,313,010,989	\$12,082,562	\$469,689	\$12,552,251
2021-22	40,203,557,454	10,901,054	397,825	11,298,879
2020-21	38,049,445,195	10,306,145	397,496	10,703,641
2019-20	36,248,449,099	9,842,122	350,410	10,192,532
2018-19	34,069,330,091	9,266,867	331,453	9,598,320

⁽¹⁾ Excludes proceeds of the SWP Property Tax described under the caption “—Budget Process.”

⁽²⁾ Secured Assessed Valuation reported at net value after tax increment revenues previously allocated to redevelopment agencies. See the caption “—Budget Process.”

Source: County of San Bernardino Auditor-Controller for Total Secured Assessed Valuation; District for District Allocations.

Secured assessed valuation for the County of San Bernardino for Fiscal Year 2022-23, as reported by the County of San Bernardino, was \$43,313,010,989, a 7.73% increase from the prior year. There can be no assurance that secured assessed valuation for the County of San Bernardino will not be reduced in the future.

**County of Riverside
Secured Assessed Valuation and Tax Allocation Record
Fiscal Years Ending June 30, 2019 Through June 30, 2023**

<i>Fiscal Year</i>	<i>Total Secured Assessed Valuation⁽²⁾</i>	<i>General 1% Property Tax Allocated to District⁽¹⁾</i>	<i>Unitary Tax Allocated to District</i>	<i>Total District Allocations</i>
2022-23	\$110,519,424	\$32,749	\$804	\$33,553
2021-22	98,816,603	33,688	822	34,510
2020-21	92,166,344	31,222	728	31,950
2019-20	89,278,591	29,948	706	30,654
2018-19	86,045,229	29,320	694	30,014

⁽¹⁾ Excludes proceeds of the SWP Property Tax described under the caption “—Budget Process.”

⁽²⁾ Secured Assessed Valuation reported at net value after tax increment revenues previously allocated to redevelopment agencies. See the caption “—Budget Process.”

Source: County of Riverside Auditor-Controller for Total Secured Assessed Valuation; District for District Allocations.

Secured assessed valuation for the County of Riverside for Fiscal Year 2022-23, as reported by the County of Riverside, was \$110,519,424 a 11.84% increase from the prior year. There can be no assurance that secured assessed valuation for the County of Riverside will not be reduced in the future.

The following table shows the District’s principal property taxpayers (based on the secured assessed valuation of property):

**SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT
Principal Property Taxpayers
Fiscal Year Ending June 30, 2022**

<i>Taxpayer</i>	<i>Industry Type</i>	<i>Secured Assessed Value</i>	<i>% of Total Secured Assessed Value</i>
Kaiser Foundation Hospitals	Health Care	\$ 769,088,000	1.78%
Stater Bros Markets	Warehouse	296,094,016	0.68
Loma Linda University Health	Health Care	279,867,008	0.65
El Rivino Industrial I LLC	Warehouse	210,767,008	0.49
Target Corporation	Warehouse	175,463,008	0.41
WI Loma Linda LLC	Health Care	139,166,000	0.32
Dignity Health	Health Care	128,920,000	0.30
El Rivino Industrial II LLC	Warehouse	124,921,000	0.29
Duke Realty Limited Partnership	Warehouse	120,858,000	0.28
Northwestern Mutual Life Insurance Co.	Insurance	<u>110,338,000</u>	<u>0.25</u>
Total		\$2,355,482,040	5.45%

Source: District.

Successor Agency Pass-Through Payments. Effective February 1, 2012, redevelopment agencies in the State were dissolved. Prior to such time, redevelopment agencies collected incremental tax revenues (generally, the property taxes generated from the levy of the 1% *ad valorem* property tax on the assessed value of property over the base year assessed value) from each agency’s applicable redevelopment project area. The District entered into agreements with certain redevelopment agencies within the District’s service area pursuant to which the District received a portion of the incremental tax revenues, commonly referred to as “pass-through” payments.

Beginning in Fiscal Year 2012-13, due to the dissolution of redevelopment agencies in the State and the subsequent allocation of such incremental property tax revenues previously allocated to redevelopment agencies, the District began receiving additional property tax payments from the Counties of San Bernardino and Riverside. A portion of such additional property tax revenues were attributed by the County to the SWP Property Tax, and therefore restricted to making payments under the Water Supply Contract, and a portion were attributed by the County to the District's tax-sharing agreements with the former redevelopment agencies and the tax increment revenues previously allocated to redevelopment agencies, and therefore deposited into the District's general fund and available as Revenues.

The District is currently considering whether the allocation of certain property tax revenues described above are properly attributable to the SWP Property Tax or to the District's general fund. The District cannot provide any assurance that any additional property tax revenues will be included in the future in Revenues and available to make payments under the 2023A Installment Purchase Agreement and with respect to other Bonds and Contracts. For more information regarding the historic and projected redevelopment agency pass-through payments, see the captions "DISTRICT FINANCIAL INFORMATION—Historic Operating Results" and "—Projected Operating Results and Debt Service Coverage."

Other Outstanding Obligations

The Series 2023A Installment Payments are payable from Net Revenues on a parity basis with the installment payments (the "2011 Installment Payments") made by the District pursuant to the Installment Purchase Agreement, dated as of June 1, 2011, by and between the District and the San Bernardino Valley Municipal Water District Financing Corporation. The 2011 Installment Payments are payable in semi-annual installment payments through July 1, 2041 and have a current outstanding principal amount payable of \$6,510,000.

The Series 2023A Installment Payments are also payable from Net Revenues on a parity basis with the installment payments (the "2023 WIFIA Installment Payments") made under the 2023 WIFIA Installment Purchase Agreement, which are projected to be in a principal amount of approximately \$69,818,716. See the caption "PLAN OF FINANCE—The 2023 Project" in the front part of this Official Statement and the caption "—Upper Santa Ana Watershed Integrated Regional Water Management Plan" in this Appendix A

Under the 2023A Installment Purchase Agreement, the District covenanted not to issue any Bonds or enter into any Contracts that are payable from Revenues prior to the Series 2023A Installment Payments, Bonds or Contracts. However, the District may execute Contracts or issue Bonds secured by a pledge and lien on the Revenues and which are payable from Net Revenues on a parity with the Series 2023A Installment Payments, under the conditions described in the 2023A Installment Purchase Agreement. See "SECURITY FOR THE NOTES—Additional Contracts and Bonds" in the front part of this Official Statement.

Water Supply Contract

General. The District has contracted for 102,600 acre feet of entitlement per year from the SWP pursuant to the Water Supply Contract with DWR. The Water Supply Contract was originally set to expire by its terms in 2035. As discussed in further detail below, the Water Supply Contract has been extended through December 31, 2085 or the period ending with the latest maturity date of any bond issue used to finance construction of SWP facilities, whichever is longer. There is, however, litigation with respect to the extension of the State Water Project contracts, including the Water Supply Contract.

DWR and the SWP contractors previously agreed to an "Agreement in Principle" to amend the existing State Water Project contracts to extend them through December 31, 2085, and make certain changes relating to the billing process. DWR prepared an environmental impact report under the California Environmental Quality Act ("CEQA") analyzing the proposed long-term contract extensions. In December 2018, after CEQA review and determination, DWR filed an action to validate the proposed extension of the

SWP contracts, including the District's Water Supply Contract. Several environmental groups and counties and districts filed answers or separate actions opposing DWR's approval, asserting that the extension approval violated CEQA, the Public Trust Doctrine, and the Delta Reform Act. The trial court granted judgment in favor of DWR and supporting SWP contractors on all causes of action. The environmental groups and opposing agencies filed notices of appeal and their appeals have been coordinated. Appellants' opening briefs were filed on January 13, 2023.

On January 9, 2023, DWR notified the District that the required number of SWP contractors had executed letter agreements to allow the contract extension amendment to become effective as of January 1, 2023 as to the contractors that executed such agreements, including the District, notwithstanding the pending litigation. This amendment extended the term of the Water Supply Contract to December 31, 2085 or the period ending with the latest maturity date of any bond issue used to finance construction of SWP facilities, whichever is longer.

The District cannot predict the impact of the outcome of the appeal on the extension of the District's Water Supply Contract.

Water received from the SWP entitlement has historically been used to supply water for direct delivery to retail water agencies and to recharge groundwater basins to ensure that such basins have adequate water supplies to meet the needs of the retail water agencies and residents within the boundaries of the District. See the caption "—Water Supply Within the District."

Factors Affecting DWR Water Supply. DWR faces various challenges in the continued supply of water for the District, including, but not limited to, periods of drought as well as delivery restrictions and litigation filed from time to time which, if determined adversely, could disrupt the supply of water available through them. On April 20, 2023, DWR announced an expected SWP allocation of 100% of contract amounts under the SWP contracts.

A description of the various challenges facing DWR as well as a variety of other operating information with respect to DWR is included in detail under the caption "STATE WATER PROJECT WATER SUPPLY" in DWR'S Official Statement dated September 13, 2022, relating to DWR's Central Valley Project Water System Revenue Bonds, Series BF ("DWR's Water Supply Disclosure"). DWR's Water Supply Disclosure is on file with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system ("EMMA") and can be accessed at <http://emma.msrb.org/>. DWR's Water Supply Disclosure is the disclosure of DWR and, accordingly, the District does not make any representations as to the accuracy or completeness of DWR's Water Supply Disclosure or as to the absence of material adverse changes in DWR's Water Supply Disclosure after the date hereof.

In addition, DWR has certain publicly available documents and has entered into certain continuing disclosure agreements pursuant to which they are contractually obligated for the benefit of owners of certain of their outstanding obligations to file annual reports, notices of certain events as defined under Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time ("Rule 15c2-12") and annual audited financial statements (collectively, the "SWP Information") with EMMA, which is accessible on the Internet at <https://emma.msrb.org/>.

DWR HAS NOT ENTERED INTO ANY CONTRACTUAL COMMITMENT WITH SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT, THE TRUSTEE OR THE OWNERS OF THE NOTES TO PROVIDE SWP INFORMATION TO SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT OR THE OWNERS OF THE NOTES.

DWR HAS NOT REVIEWED THIS OFFICIAL STATEMENT OR MADE REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED OR INCORPORATED HEREIN,

INCLUDING INFORMATION WITH REGARD TO THE STATE WATER PROJECT. DWR IS NOT CONTRACTUALLY OBLIGATED, AND DWR HAS NOT UNDERTAKEN, TO UPDATE SUCH INFORMATION FOR THE BENEFIT OF SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT OR THE OWNERS OF THE NOTES UNDER RULE 15c2-12.

Delta Conveyance (Tunnel) Project. In February 2019, Governor Gavin Newsom announced his support for a Bay-Delta Plan, known as the “Delta Conveyance Project” (“DCP”), which would include intake structures on the Sacramento River and a single tunnel to convey water to the California Aqueduct downstream of the existing pumping plants in the south Bay-Delta. In July 2022, DWR released its draft Environmental Impact Statement for the DCP. The new conveyance facilities being reviewed would include a single 6,000 cubic-feet per second (“cfs”) tunnel to convey water from new intakes on the Sacramento River to an expanded Bethany Reservoir (south of the Harvey O. Banks Pumping Plant). The public comment period ended on December 16, 2022, and DWR is now preparing responses to comments. Planning, environmental review and conceptual design work by DWR are expected to be completed in the 2023-2024 timeframe.

Since July 24, 2019, SWP contractors and DWR have been engaged in negotiations to amend the SWP contract for inclusion of the DCP. The amendment is intended to determine how costs and benefits of the DCP would be shared among the participating SWP contractors. If the District executes the amendment and the DCP is constructed, the District would be obligated to pay for its share of capital construction costs and future operations and maintenance costs. On November 17, 2020 the Board of Directors declared its support for the development of a single tunnel DCP. If the DCP is constructed, the District expects to pay its share of capital construction costs and future operations and maintenance costs from District reserves and SWP Property Tax proceeds.

The District’s Board has previously authorized the District’s participation in two joint powers agencies relating to the DCP: the Delta Conveyance Design and Construction Authority (the “DCA”), a joint powers authority formed by the participating water agencies to actively participate with DWR in the design and construction of the DCP and under the control and supervision of DWR; and the Delta Conveyance Finance Authority (the “Financing JPA”), a joint powers authority formed by the participating water agencies to facilitate financing for the DCP. The DCA is currently providing engineering and design activities to support the DWR’s planning and environmental analysis for the potential new Delta Conveyance Project.

In August, 2020, the DCA provided a preliminary cost estimate for the DCP of approximately \$15.9 billion (in 2020 dollars). The DCA noted that such estimate has been developed at an early stage in the project and will be revised over time. The District cannot predict at this time what additional financial commitments to the DCP will be made. On August 20, 2020, the U.S. Army Corps of Engineers, as the lead agency for the DCP under National Environmental Policy Act (“NEPA”), issued a notice of intent for the development of the environmental impact statement for the DCP. On December 16, 2022, the U.S. Army Corps of Engineers issued a draft environmental impact statement for the DCP. The public review and comment period for the draft environmental impact statement ended on February 14, 2023.

In May of 2018, the District’s Board approved preliminary environmental review, planning, and design funding for the DCP in an amount up to approximately \$10 million. In November of 2020, the District’s Board approved an additional \$1.3 million to cover its share of the remaining planning and permitting costs for the project.

On August 6, 2020, DWR adopted certain resolutions to authorize the issuance of bonds to finance costs of DCP environmental review, planning, design and, if such DCP is approved, the costs of acquisition and construction thereof. The same day, DWR filed a complaint in Sacramento County Superior Court seeking to validate DWR’s authority to issue the bonds. Several answers have been filed in the validation action, as well as at least two related cases alleging that DWR violated CEQA by adopting the bond resolutions before completing environmental review of the DCP. DWR and several project opponents filed cross-motions for summary judgment on the CEQA affirmative defenses and related CEQA lawsuit, and in

December 2021, the trial court granted DWR's motions and denied opponents' motions, eliminating the CEQA affirmative defenses. This litigation, however, is still in its early phases.

Sites Reservoir Project. The Sites Reservoir Project is a proposed reservoir of approximately 1.5 million acre-feet to be located in Colusa County, west of Sacramento. The Sites Reservoir Project would provide storage and additional water supply that can be used for dry-year benefits. The District has provided the Sites Reservoir Project with approximately \$8,741,900 in funding since 2017 under the terms of project agreement relating to the Sites Reservoir Project with the Sites Project Authority, and its amendments (as amended, the "Sites Reservoir Project Agreement"). Under the Sites Reservoir Project Agreement, the District has agreed to contribute up to an additional \$3,424,000 through December 31, 2024 for the funding phase of the project. The Sites Reservoir Project currently has 22 participating local agencies, including the District, as well as the current participation of the United State Bureau of Reclamation and DWR. In the most recent amendment to the Sites Project Agreement, the District indicated a participation percentage of 12.85% in the Sites Reservoir Project.

The current cost estimate of the Sites Reservoir Project is approximately \$3.9 billion (in 2021 dollars). The cost estimate of the Sites Reservoir Project is expected to be revised in 2024 based on the completion of 30% of project design. Estimated costs of large infrastructure projects, like the Sites Reservoir Project, are subject to change due to a number of factors, including but not limited to general negative economic conditions, unanticipated levels of inflation, material and/or labor shortages, delays in the project schedule and litigation relating to the project. Such factors could lead to significant increases in project costs.

Costs related to the Sites Reservoir Project are expected to be paid from the SWP Property Tax or from District SWP Property Tax Reserves. The payment of Sites Reservoir Project costs from the SWP Property Tax will depend upon whether an agreement is reached with DWR and the participating State Water Project contractors, including the District, to incorporate Sites Reservoir supplies into the State Water Project. The District Board is expected to make a decision whether to participate in the Sites Reservoir in 2024.

Kern Delta Storage Program. In 2011, the District entered into a water banking agreement with Kern Delta Water District (the "Kern Delta Water Banking Agreement") for the purpose of increasing water supply in dry years. The term of the agreement is scheduled to end on December 31, 2025. Under the Kern Delta Water Banking Agreement, the District is permitted to request a return of 5,000 acre feet of stored water annually. As of June 30, 2022, the District had 6,300 acre feet of SWP water in storage under the Kern Delta Water Banking Agreement.

Yuba River Accord. The District entered into an agreement (the "DWR Yuba Accord Agreement") with DWR to purchase a portion of the water released by the Yuba County Water Agency ("YCWA"). YCWA was involved in a SWRCB proceeding in which it was required to increase Yuba River fishery flows. Within the framework of agreements known as the Yuba River Accord, DWR entered into an agreement for the long-term purchase of water from YCWA. The agreement permits YCWA to transfer additional supplies at its discretion. The District, other SWP contractors, and the San Luis & Delta-Mendota Water Authority entered into separate agreements with DWR for the purchase of portions of the water made available.

Historical and Projected Water Deliveries from SWP. Under the terms of the Water Supply Contract, DWR may collect from the District certain fixed and variable operating costs related to the SWP, which costs are not limited in amount, and DWR may collect from the District certain fixed project costs allocable to the District. Payments to DWR under the Water Supply Contract are not payable from Revenues or Net Revenues. The obligation of the District to make payments under the Water Supply Contract is payable solely from the SWP Property Tax described under the caption "—Budget Process." Proceeds of the SWP Property Tax do not constitute Revenues under the 2023A Installment Purchase Agreement. However, the District pays an administrative charge from the proceeds of the SWP Property Tax for the costs of the District allocable to District operations undertaken in connection with the administration of the Water Supply Contract. Such administrative charge is included in Revenues and is equal to approximately five percent of the SWP

Property Tax received in a Fiscal Year. See the caption “SECURITY FOR THE NOTES—Series 2023A
Installment Payments Are Limited Obligations Payable from Net Revenues.”

The tables below set forth historical deliveries of water to the District from the SWP and sales of SWP water for the five most recent calendar years, together with projections of such deliveries and charges for the current and next four calendar years.

**SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT
HISTORIC WATER DELIVERIES FROM SWP
AND SALES OF SWP WATER**

<i>Calendar Year Ended December 31</i>	<i>Table A Amount (Acre Feet)</i>	<i>SWP Allocation</i>		<i>SWP Deliveries (Acre Feet)⁽²⁾</i>	<i>SWP Sales (Acre Feet)⁽³⁾</i>
		<i>Percentage</i>	<i>Acre Feet⁽¹⁾</i>		
2022	102,600	5	5,130	12,211	12,209
2021	102,600	5	5,130	16,089	16,080
2020	102,600	20	20,520	22,679	22,679
2019	102,600	75	76,950	80,355	54,600
2018	102,600	35	35,910	44,999	40,224

- (1) The difference between the District’s Table A Amount and the SWP allocation reflects reduced deliveries from the SWP.
(2) In addition to SWP water allocated for that year, this amount includes water available for sale from the DWR Yuba Accord Agreement, the District’s Kern Delta Water Banking Agreement and SWP carryover water from the prior year.
(3) The difference between deliveries and sales are a result of groundwater recharge and storage by the District. In 2019, the Board approved the delivery of additional water to the San Bernardino groundwater basin, resulting in 25,755 acre-feet of SWP water being used by the District for groundwater recharge.

Source: District.

**SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT
PROJECTED WATER DELIVERIES FROM SWP
AND SALES OF SWP WATER**

<i>Calendar Year Ended December 31</i>	<i>Table A Amount (Acre Feet)</i>	<i>SWP Allocation</i>		<i>SWP Deliveries (Acre Feet)⁽²⁾</i>	<i>SWP Sales (Acre Feet)⁽³⁾</i>
		<i>Percentage</i>	<i>Acre Feet⁽¹⁾</i>		
2023	102,600	5	5,130	12,350	12,350
2024	102,600	45	46,170	39,601	39,601
2025	102,600	45	46,170	39,601	39,601
2026	102,600	45	46,170	39,601	39,601
2027	102,600	45	46,170	39,601	39,601

- (1) Projected SWP Allocation for calendar year 2023 assumes approximately 5% of the District’s Table A Amount. On April 20, 2023, DWR announced that the SWP allocation for 2023 had been increased to 100%. The District has not yet revised the 2023 calendar year projection in light of the April 20, 2023 DWR announcement. Thereafter, assumes 45% SWP reliability based on historical average. The difference between the District’s Table A Amount and the SWP allocation reflects projected reduced deliveries from the SWP.
(2) In addition to State Water Project Water; this amount includes water available for sale from the DWR Yuba Accord Agreement, the District’s Kern Delta Water Banking Agreement and State Water Project carryover water from the prior year.
(3) The difference between deliveries and sales are a result of groundwater recharge and storage by the District.

Source: District.

Litigation Relating to the SWP Property Tax. The Howard Jarvis Taxpayers Association, who was substituted for the initial plaintiff, filed a series of cases against the Coachella Valley Water District (“CVWD”) challenging the levy, collection and application of local property taxes levied by CVWD pursuant to CVWD’s SWP contract (the “CVWD Case”). In the CVWD Case, the plaintiff claimed that (i) CVWD levied the SWP Property Tax without first making a determination that such taxes were necessary as required

by Water Code Section 11652 and the SWP contract, (ii) CVWD failed to keep a separate accounting of SWP funds in violation of the Water Code and the Government Code and (iii) that the SWP Property Taxes collected by CVWD were used for purposes other than SWP expenses in violation of Propositions 12, 218 and 26.

On March 14, 2023, the trial court rendered a decision in a case. With respect to the plaintiff's challenge of CVWD's levy of the SWP Property Tax, the court found that (1) CVWD is not authorized to levy taxes to pay its SWP contract obligations unless it is necessary to levy such taxes, (2) it is "necessary" only when it is not feasible to raise sufficient funds to satisfy those obligations by user charges alone, and (3) CVWD exercises its discretion when deciding the issue of feasibility. The court determined that CVWD's finding of necessity with respect to the levy the property tax was not supported by evidence that paying its SWP obligations from charges for water was infeasible. As a result, the court found that CVWD abused its discretion in levying the SWP Property Tax.

The court also found that the SWP Property Tax was not used exclusively for SWP expenses by CVWD and that for a period of time, CVWD had failed to keep State Water Project funds separate from other funds, having commingled SWP Property Tax proceeds with other revenues collected by CVWD. The case is now in the remedies phase. It is expected CVWD will appeal the trial court's decision.

The District's levy of the SWP Property Tax and its expenditure of the SWP Property Tax on SWP expenses has not been challenged to date. The District does not commingle SWP Property Tax proceeds with other District Revenues. In addition, the District has expended SWP Property Tax on SWP expenses that the District believes are permitted to be paid with the SWP Property Tax. As a result, the District does not currently expect that the outcome of the CVWD Case will have a material adverse impact on the District's current practice of levying the SWP Property Tax and the application by the District of the SWP Property Tax on SWP expenses. The decision of the court in the CVWD Case is subject to appeal. The District cannot predict the ultimate outcome of the CVWD case.

Water Supply Within the District

General. The District is part of the Western-San Bernardino Watermaster that is responsible for managing the surface and groundwater supplies within the District's boundaries. The District is also part of the Santa Ana River Watermaster that is responsible for maintaining flows at a certain location in the Santa Ana River. The District may import supplemental water from the SWP, on behalf of the Upper Basin (as hereinafter defined) water users, to meet any replacement obligation amounts. See the caption "—Water Supply Contract" above.

Water used for agricultural and domestic use within the present boundaries of the District historically originated exclusively in the Santa Ana River watershed, an area embracing approximately 2,000 square miles in the Counties of Orange, Riverside and San Bernardino. The Santa Ana River originates in the San Bernardino Mountains northeast of the City of San Bernardino and flows to the southwest through the County of San Bernardino to the County of Riverside. Near the northern County of Riverside border, the Santa Ana River flows through a geologic formation known as the Riverside Narrows, which acts to confine the river and forces the groundwater flow beneath the river to the surface. The Santa Ana River then flows from the Riverside Narrows through the County of Riverside in a southwestern direction, passing into the County of Orange in the Corona area, flowing through the Santa Ana Canyon and then onto the coastal plain that constitutes most of the northwestern portion of the County of Orange. Except during periods of storm flows, the Santa Ana River flows underground for most of its length.

Early settlers along the Santa Ana River constructed facilities in the Santa Ana Canyon area and the Anaheim area to divert the surface and flood flows of the Santa Ana River, primarily for irrigation purposes. As agricultural and domestic water use along the Santa Ana River increased, farmers, ranchers and municipal

and private corporations began pumping water from the groundwater basin underlying the coastal plain of Orange County which was recharged by the sub-surface flow of the Santa Ana River.

In 1941, the United States Army Corp of Engineers (the “Corps”) constructed a flood control dam on the Santa Ana River just north of the river’s entrance into Santa Ana Canyon (“Prado Dam”). Since Prado Dam was completed, the Corps has operated it primarily as a flood control facility, with certain incidental water conservation activities.

Prior to the 1960’s, Santa Ana River water users above Prado Dam in the Counties of Riverside and San Bernardino (the “Upper Basin”) and in the Orange County groundwater basin came increasingly into conflict over water flows in the Santa Ana River. These conflicts led to a series of lawsuits between various Upper Basin and Orange County groundwater basin water users. The District, on behalf of many Upper Basin water users, became involved in these lawsuits.

Litigation between Upper Basin and Orange County groundwater basin water users culminated in two stipulated judgments, one entered by the Superior Court for the County of Orange (“Orange County Superior Court”) and the other entered by the Superior Court for Riverside County in 1969 (the “1969 Judgments”), affirming a negotiated settlement of Santa Ana River water rights disputes between the Upper Basin and the Orange County groundwater basin, involving over 4,000 parties, of which the principal parties included the District, the Chino Basin Municipal Water District, which is currently known as the Inland Empire Utilities Agency (“IEUA”), the Orange County Water District (“OCWD”) and the Western Municipal Water District of Riverside County (“Western MWD”). Under the 1969 Judgments, the District is obligated to deliver an average annual supply of 15,250 acre feet of Santa Ana River base flow to the Riverside Narrows (subject to certain adjustments which could reduce such obligated amount but in no event below 12,420 acre feet annually). The District’s obligation can increase under certain circumstances, if necessary to maintain water quality at Riverside Narrows. In addition, the District is responsible for providing groundwater replenishment water to offset excess extractions by non-plaintiffs in order to maintain safe yield in the San Bernardino groundwater basin and for maintaining certain specified key well levels in the Colton groundwater basin at an average of 822 feet above sea level. As of August 1, 2022, the latest date for which such information is available, the average static groundwater in the specified wells in the Colton-Rialto groundwater basin was 816.10 feet above sea level. If the conditions of the 1969 Judgments are not met by the natural water supply, the District is required to deliver replenishment water to offset the deficiency, among other mechanisms as stipulated in the 1969 Judgment. In response to the recent water levels below the 1969 Judgment threshold, the District has been working in collaboration with Western MWD to address the deficiency, including construction of a turnout facility to facilitate recharge of SWP water in the groundwater basin, among other things.

The District’s obligation to maintain an average annual flow equivalent to approximately 15,250 acre feet per year at the Riverside Narrows is currently met by the discharge of approximately 25,000 acre feet per year of treated wastewater from the Cities of San Bernardino, Colton, and Rialto to the Santa Ana River. The Cities of San Bernardino and Colton are obligated under contracts entered into with the District to discharge their treated wastewater flows to meet this requirement. As a result of this recycled water discharge and normal stream flow in the Santa Ana River, the District has never had to use imported water to augment flows in the Santa Ana River. The District has provided water at Riverside Narrows in amounts greater than its obligation and has accumulated a credit totaling 1,403,940 acre feet (as of September 30, 2021) for the excess amounts during prior years. The District could, if needed, use such water credit to meet a portion of the District’s obligations under the 1969 Judgments during dry years, subject to the minimum annual flow of 12,420 acre feet at the Riverside Narrows.

IEUA and Western MWD are obligated to deliver an average annual supply of 42,000 acre feet of Santa Ana River base flow to Prado Dam (subject to certain adjustments which could reduce such obligated amount to 34,000 acre feet annually), and OCWD is entitled to all storm flows reaching Prado Dam. IEUA

and Western MWD's obligation can increase under certain circumstances if necessary to maintain water quality at Prado Dam.

The 1969 Judgments also include other provisions relating to inter-basin exports of water, inter-basin acquisition of water rights, and the reservation of continuing jurisdiction by the Orange County Superior Court.

The 1969 Judgments by their terms superseded a number of previous water rights determinations relating to the Santa Ana River and created a watermaster for the Santa Ana River (the "Watermaster"). The Watermaster is a committee of five court-appointed members, one each nominated by the District, IEUA and Western MWD and two members nominated by OCWD. The Watermaster is charged with administration and reporting with respect to the 1969 Judgments. If the Watermaster, which can act only upon the unanimous vote of its five members, fails to or is unable to make necessary findings or determinations, such questions must be certified by the Watermaster to the Orange County Superior Court for determination.

The 1969 Judgments did not adjudicate the water rights of individual water users within the Orange County groundwater basin or the Upper Basin. The District and other parties to the 1969 Stipulations, however, have been operating in accordance with the 1969 Judgments since it was approved and entered as a court judgment. The District is not currently involved in, and is unaware of, any material litigation between Santa Ana River water users in the Upper Basin, or between Upper Basin and Orange County groundwater basin water users.

The District estimates that the San Bernardino Basin, which has a total usable storage capacity of approximately 5,690,000 acre feet, currently holds approximately 4,700,000 acre feet of groundwater and that the Colton groundwater basin, which has a total storage capacity of approximately 1,749,000 acre feet, currently holds approximately 1,500,000 acre feet of groundwater. The amount of groundwater held in the groundwater basins has fluctuated over the past five years depending upon precipitation, pumping demand and SWP reliability.

As part of the joint efforts, the District and Western MWD successfully acquired water rights in the Santa Ana River due to construction of Seven Oaks Dam. The District and Western MWD may divert up to 198,317 acre feet of water per year from the Santa Ana River subject to the terms and conditions of two Permits for Diversion and Use of Water issued by the SWRCB. The first permit (Permit for Diversion and Use of Water No. 21264) became effective on June 29, 2010 and entitles the District and Western MWD to appropriate up to 400 cubic feet of water per second by direct diversion and up to 100,000 acre feet of water per year by underground and/or surface storage. The second permit (Permit for Diversion and Use of Water No. 21265) became effective on June 29, 2010 and entitles the District and Western MWD to appropriate up to 1,100 cubic feet of water per second by direct diversion and up to 100,000 acre feet of water per year by underground and/or surface storage. Each permit states that the combined total diversions under both permits may not exceed 198,317 acre feet of water per year. Each permit requires diverted water to be put to beneficial use by December 31, 2059.

Since 2010, over 92,000 acre-feet of water have been diverted under these permits. The District expects to begin construction on the Enhanced Recharge Project by the end of fiscal year 2023, which will increase the diversion capability up to approximately 80,000 acre-feet per year. The District and Western MWD have also identified additional projects that are expected to increase the total diversion capacity up to the maximum diversion amount of 198,317 acre-feet.

Sustainable Groundwater Management Act. On September 16, 2014, the State Governor signed Assembly Bill No. 1739 and Senate Bill Nos. 1168 and 1319 (collectively, the Sustainable Groundwater Management Act, or "SGMA") into law. SGMA constitutes a legislative effort to regulate groundwater on a statewide basis. Under SGMA, the DWR designated groundwater basins in the State as high, medium, low or very low priority for purposes of groundwater management. Local groundwater producers were required to

establish or designate an entity (referred to as a groundwater sustainability agency, or “GSA”), subject to DWR’s approval, to manage each high and medium priority groundwater basin.

The SGMA requires the preparation and implementation of a Groundwater Sustainability Plan (a “GSP”) for non-adjudicated critical, high and medium priority basins. GSPs for critically overdrafted high- and medium-priority basins were initially due to DWR by January 31, 2020. GSPs for the remaining high- and medium-priority basins were due to DWR by January 31, 2022. Alternatively, groundwater producers were required to submit a groundwater management plan under Part 2.75 of the California Water Code or an analysis for DWR’s review demonstrating that a groundwater basin has operated within its sustainable yield for at least 10 years by January 31, 2017, with updates every five years thereafter.

While adjudicated basins (those that already have a management plan, such as the Colton and San Bernardino groundwater basins) are generally exempt from SGMA, in 2015 the District entered into a memorandum of understanding for the development of a Groundwater Sustainability Council Framework. In 2018, the District joined the San Bernardino Basin Groundwater Council (the “SBBGC”), a 13-member organization whose goals are to prepare for and coordinate the management of groundwater supply resources throughout the San Bernardino groundwater basin, and to coordinate the purchase of supplemental water, as needed, and the maintenance and conveyance and recharge facilities to expedite such management. Basin management costs are generally proportioned based on each agency’s individual gap between its available supplies and its demand. This method gives agencies an incentive to reduce their demand by conserving water. The method also recognizes an agency’s prior investment in other supplies like surface water and recycled water while at the same time recognizing the need to purchase supplemental water not just for today but for tomorrow.

Furthermore, in 2017, the District approved the execution of a memorandum of agreement with the City of Redlands, City of Yucaipa, Yucaipa Valley Water District, San Geronio Pass Water Agency, South Mesa Water Company, South Mountain Water Company and Western Heights Water Company to form the Yucaipa Sustainable Groundwater Management Agency (the “Yucaipa GSA”) to manage the non-adjudicated portion of the Yucaipa Subbasin.

With ample storage capacity, ability to recharge the basin by spreading surface waters and flexibility in managing groundwater levels without subsidence problems, the District currently expects that the Yucaipa Basin could be conjunctively managed to meet normal annual demands and to meet water resource needs in the event of a drought and curtailment or loss of inconsistent surface water supplies, resulting in a highly reliable water supply. The District’s current goal is to identify additional locations to construct stormwater capture facilities for passive and active groundwater recharge and to secure agreements with the other water purveyors to eliminate the overdraft of the two aforementioned subbasins in the Yucaipa Basin area.

Implementation of the SGMA and the District’s decision to be a member of the Yucaipa GSA required that the member agencies prepare a groundwater sustainability plan. Pursuant to the SGMA, the Yucaipa GSA submitted its GSP for DWR’s approval in January 2022. The recommendations in such GSP may include limitations on groundwater pumping and increased costs. Implementation of the GSP recommendations could also result in claims against the District for failure to comply with applicable laws and regulations. See the caption “—Water Supply Within the District.”

Wholesale Water Distribution System

The District accesses supplemental water from the SWP at the Devil Canyon Power Plant Afterbay, which is located just within the District’s northern boundary. Water is conveyed 17 miles southeastward to various spreading grounds and agricultural and wholesale domestic delivery points in the San Bernardino groundwater basin. Water is also conveyed westward for direct delivery in the Colton groundwater basin. The District continues to develop a network of conveyance systems and recharge facilities to deliver SWP and local

water in order to replenish groundwater aquifers and make groundwater available to retail producers. The District does not own or operate any retail water distribution system or facilities.

Foothill Pipeline. The Foothill Pipeline, which connects with the SWP at the Devil Canyon Power Plant Afterbay, enables the District to deliver water by gravity flow to delivery points in the San Bernardino Valley between the Devil Canyon Power Plant Afterbay and the Santa Ana River. The Foothill Pipeline consists of 75-78 inch diameter welded steel pipe and has a capacity of 300 cubic feet per second and extends 17 miles to the southeast. At full capacity, the Foothill Pipeline can deliver the District's entire 102,600 acre foot annual entitlement to local water producers and/or groundwater recharge. Additionally, the Foothill Pipeline also connects to DWR's East Branch Extension ("EBX") in the City of Highland, which facilitates delivery of the SWP water easterly to District customers at the east end of District service areas and the San Geronio Pass Water Agency.

Together with the Foothill Pipeline system and EBX, the system includes three pumping stations, two regulating reservoirs and turnouts and metering facilities. The entire Foothill Pipeline right-of-way is either owned by the District or secured by permanent easements.

Lytle Creek Pipeline. The Lytle Creek Pipeline, which connects with the SWP at the Devil Canyon Power Plant Afterbay, enables the District to deliver water by gravity flow to delivery points in the Colton and Rialto areas in the western portion of the District. The District has contract rights for half the capacity or 55 cubic feet per second up to Riverside Avenue in the City of Rialto, in the Lytle Creek Pipeline, which is owned and operated by the San Gabriel Valley Municipal Water District and consists of 54 inch diameter pre-stressed concrete pipe. At full capacity, the Lytle Creek Pipeline can deliver approximately 30,000 acre feet of District water per year to local water producers.

Greenspot Project. The Greenspot Project consists of additional facilities originally constructed at the termination point of the Foothill Pipeline to deliver water for the Cooperative Water Project Agreement (discussed below). The Greenspot Project includes a reverse flow capacity, allowing the District to deliver a relatively small amount of local surface water back to the Devil Canyon Power Plant Afterbay, by gravity, for possible exchange or resale.

The District created the Santa Ana River-Mill Creek Cooperative Water Project (the "Cooperative Water Project Agreement") to deliver water to the Yucaipa region, by exchange, in advance of completing extension of pipelines to Yucaipa in the 1970's. The SWP pipeline has been completed to Yucaipa since early 2000's such that this agreement has not been utilized for quite some time. Under the Cooperative Water Project Agreement, each member has pledged its local water supply for redistribution to meet the needs of all members. The Cooperative Water Project Agreement allows the District to divert up to 20,000 acre feet of water per year from the Santa Ana River and 10,000 acre feet of water per year from Mill Creek and to exchange SWP water for local water. The Cooperative Water Project Agreement fosters cooperation and coordination of water supplies among members to maximize the amount of water delivered by gravity to retail water agencies, thereby reducing pumping costs and energy usage. The District is not currently diverting water under the Cooperate Water Project Agreement and does not currently expect to do so. The District is currently working with the other members to evaluate the current arrangement under the Cooperative Water Project Agreement to identify areas where changes may be appropriate.

Baseline Feeder Project. In 1990, the District and the Baseline Feeder Retail Agencies entered into agreements to construct the Baseline Feeder Project. The two Baseline Feeder Project wells were originally capable of pumping a combined 8,500 gallons per minute, with the District holding entitlements to pump without volume restrictions. The delivery pipeline consists of a 48-inch diameter pipe extending 4 miles along Ninth Street and Baseline Road in the City of San Bernardino to facilitate delivery of extracted groundwater from the San Bernardino Basin area to the District's customers on the west side of the District's service area, including the City of Rialto, West Valley Water District, and Riverside Highland Water Company.

In 2006, one of the Baseline Feeder Project wells failed due to a collapsed well casing and the other well was taken out of service for extended maintenance. The proceeds of the 2011 Installment Purchase Agreement were used to finance the costs to abandon the failed well and the refurbishment of the other Baseline Feeder Project well. After production restarted, the refurbished well's capacity flow was approximately 1,000 gallons per minute. The District determined that it was not cost-effective to re-equip and operate this well and determined to take the well offline. In order to compensate for the lost capacity resulting from the two wells, the District constructed two new replacement wells that are owned by the District and operated by West Valley Water District. The additional wells were capable of pumping a combined 800 gallons per minute initially. The annual productions from the Baseline Feeder wells are limited to 7,500 acre feet pursuant to the terms of the Agreement to Develop and Adopt Institutional Controls Groundwater Management Program entered into among water purveyors with adjudicated rights in the Upper Santa Ana River Basin. Construction of such improvements to the Baseline Feeder Project was completed in 2012.

The Baseline Feeder Retail Agencies entered into contracts with the District in 1990 for the delivery of water from the Baseline Feeder Project, which contracts have been amended from time to time, with the most recent amendment taking place in 2012. Such contracts are described under the caption “—Water Sales—*Baseline Feeder Project.*”

PFAS. In 2019, the State Water Resources Control Board-Division of Drinking Water (“DDW”) lowered the Notification Levels (the “NLs”) for Perfluorooctanoic acid (“PFOA”) and Perfluorooctanesulfonic acid (“PFOS”) to 5.1 and 6.5 parts per trillion (“PPT”), respectively. NLs are non-regulatory, precautionary health-based measures for concentrations of chemicals in drinking water that warrant notification and further monitoring and assessment. In 2020, the Division lowered the Response Level (the “RL”) for PFOA and PFOS from 70 PPT, combined, to 10 and 40 PPT, respectively. RLs are non-regulatory, precautionary health-based measures that are set at higher levels than NLs and represent thresholds at which the DDW recommends that water systems remove a water source from use or treat it.

In addition, on March 14, 2023, Maximum Contaminant Levels (“MCLs”) of 4 PPT for PFOA and PFOS and cumulative limits for certain other chemicals which are described below were proposed by the EPA. The EPA proposal is currently subject to public comment and there can be no assurance as to the timing or substance of any final EPA rule with respect to PFOA and PFOS.

PFOA and PFOS are fluorinated organic chemicals which are part of a family of synthetic compounds referred to as per- and polyfluoroalkyl substances (“PFAS”). PFAS are water- and lipid-resistant substances that were previously used in a variety of manufacturing processes and industrial applications. They are often present in water supplies which are impacted by wastewater treatment plant effluent or active or former military installations.

In addition to PFOS and PFOA, the DDW tasked the California Office of Environmental Health Hazard Assessment with evaluating and recommending NLs for the following additional PFAS compounds on February 6, 2020: perfluorohexane sulfonic acid (known as PFHxS), perfluorobutane sulfonic acid (known as PFBS), perfluorohexanoic acid (known as PFHxA), perfluoroheptanoic acid (known as PFHpA), perfluorononanoic acid (known as PFNA), perfluorodecanoic acid (known as PFDA) and 4,8-dioxia-3H-perfluorononanoic acid (known as ADONA). There can be no assurance as to the timing of the release of such recommendations. The establishment of a Hazard Index (a tool that assesses the cumulative health effect) for aggregate levels of the foregoing compounds other than ADONA is also included in the EPA's March 14, 2023 regulatory proposal, which is described above.

As of the date of this Official Statement, the District has not been required by the DDW to sample PFAS in either of the two District-owned Baseline Feeder wells or the San Bernardino Avenue Well. All three wells are in the San Bernardino Basin. PFAS has been detected in the groundwater wells of other water producers in the San Bernardino Basin. The District will continue to monitor the regulatory process for PFAS.

Currently, the District does not anticipate that the adoption of the EPA’s proposed MCLs for PFOA and PFOS will have a material adverse effect on District operations or on operating costs.

Upper Santa Ana Watershed Integrated Regional Water Management Plan

In December 2007, fourteen agencies, including the District, adopted the Upper Santa Ana Watershed Integrated Regional Water Management Plan (the “IRWMP”). The IRWMP was a comprehensive water resources plan which identified various management strategies to help ensure a reliable water supply for the San Bernardino, Yucaipa, Big Bear Valleys, and the San Gorgonio Pass area.

Both the IRWMP Plan and the San Bernardino Valley Regional Urban Water Management Plan (the “SBVRUWMP”) were due to be updated as part of the 2020 planning cycle. Considering the overlap and interdependence of these two documents, the member agencies consolidated the two documents into the Upper Santa Ana River Watershed Integrated Regional Water Urban Management Plan (the “IRWUMP”) in June 2021. The IRWUMP seeks to improve water supply reliability in the region by managing demands, increasing local supplies, increasing overall water storage, preparing for potential disasters, managing climate change impacts, and ensuring disadvantaged communities receive equivalent services. The IRWUMP identifies the proposed Sites Reservoir Project and Delta Conveyance Project as a project that could restore nearly all of the supply that has been lost due to delivery restrictions. For more information on the Sites Reservoir Project and the Delta Conveyance Project, see the caption “—Water Supply Contract.”

On July 20, 2021, the District approved an agreement to create the Authority with the District and the other Members. The Members, through the development and implementation of the Upper Santa Ana River Watershed Infrastructure Program, also called “Watershed Connect,” aim to invest in projects to modernize aging infrastructure and to address issues facing the region and its Members, such as the impacts of climate change, drought and the need for cooperative water management to assure safe and reliable drinking water and environmental restoration.

Watershed Connect is a multiphase program comprised of interconnected water capture, recharge, storage, treatment, and conveyance projects will collectively maximize the use and reuse of local water resources, while attaining a healthy, functional river ecosystem that supports multiple federally and state-protected species. The purpose of the program is to achieve regional water supply security, resilience to extended drought and the effects of climate change and holistically enhance the health of the Upper Santa Ana River Watershed.

In July 2021, the Authority submitted a letter of interest to the United States Environmental Protection Agency (the “EPA”) for the issuance of a loan pursuant to the Water Infrastructure Finance and Innovation Act (“WIFIA”) to finance certain capital improvement projects related to the Watershed Connect program. On December 3, 2021, the Authority received an invitation from EPA to submit an application for a WIFIA loan. The Authority submitted an application to EPA and EPA approved the Authority’s application on May 26, 2022.

The Authority and the District, on June __, 2023, are expected to enter into a WIFIA master loan agreement (the “WIFIA Master Agreement”) with the EPA under the authorization of the Water Infrastructure Finance and Innovation Act for one or more loans to be obtained thereunder (each a “WIFIA Loan”). Contemporaneously with the execution of the WIFIA Master Agreement, the Authority and the District expect to enter into an initial WIFIA Loan agreement for a WIFIA Loan in the principal amount of up to \$69,818,796 (the “2023 WIFIA Loan”) on June __, 2023. In addition, the District and the Authority expect to enter into a second WIFIA Installment Purchase Agreement (the “2024 WIFIA Installment Purchase Agreement”) and an additional WIFIA Loan agreement, in accordance with the provisions of the WIFIA Master Agreement, in 2024 in connection with a WIFIA Loan in the expected principal amount up to \$23,248,100 (the “2024 WIFIA Loan”). The 2024 WIFIA Loan may be entered into at a time earlier or later than the time currently projected

or in an amount other than as currently projected. See the caption “INVESTMENT CONSIDERATIONS — Failure to Refund the Notes.”

Amounts due under the 2023 WIFIA Loan and any future loans under the WIFIA Master Agreement will be paid from WIFIA Installment Payments to be made by the District under installment purchase agreements and will be payable from Net Revenues on a parity with the 2023A Installment Payments and any future Bonds and Contracts. See the caption “—Other Outstanding Obligations.”

For more information regarding the portions of the 2023 WIFIA Project and the Watershed Connect project, see the caption “PLAN OF FINANCE” in the front part of this Official Statement.

Water Sales

Baseline Feeder Project. The District originally entered into contracts in 1990 with each of the Baseline Feeder Retail Agencies, and such take-or-pay contracts were amended following the 2011 expansion and renovation of the Baseline Feeder Project. Under such contracts, the District was responsible for the construction, operation and maintenance of the Baseline Feeder Project, all component facilities of which are owned by the District. Each Baseline Feeder Retail Agency is entitled to receive available water from the Baseline Feeder Project upon request, subject to a maximum flow rate as set forth in such agency’s respective contract. Water delivered under the contracts must be potable and suitable for domestic use. The delivery of water occurs at connection points to each Baseline Feeder Retail Agency’s distribution system within District boundaries and the District has no obligation to deliver water to the Baseline Feeder Retail Agencies outside of the District’s boundaries.

In May 2012, the District executed a Restated and Amended Agreement for the Construction, Operation and Maintenance of the New Baseline Feeder System (the “Amended Agreement”) with the Baseline Feeder Retail Agencies which requires the Baseline Feeder Retail Agencies to reimburse the District for the 2011 Installment Payments paid by the District pursuant to the 2011 Installment Purchase Agreement. Under the Amended Agreement, the Riverside Highland Water Company is obligated to pay a minimum standby payment of \$12,000 per year as reimbursement for 2011 Installment Payments regardless of quantity of water delivered and such payment is in addition to amounts paid for the purchase of water. After taking the payment made by the Riverside Highland Water Company into account, the West Valley Water District is obligated to pay the District a capital payment equal to two-thirds of the 2011 Installment Payments annually and the City of Rialto is obligated to pay the District a capital payment equal to one-third of the 2011 Installments payments annually. These payments are to be made by the West Valley Water District and the City of Rialto regardless of the quantity of water delivered to the West Valley Water District or the City of Rialto, as applicable, and such payment is in addition to amounts paid for the purchase of water. The moneys received from the Baseline Feeder Retail Agencies for the sale of water and to reimburse the District for the 2011 Installment Payments constitute Revenues under the 2023A Installment Purchase Agreement. In Fiscal Year 2021-22, 5,684 acre-feet of water was delivered to the Baseline Feeder Retail Agencies, which represented an increase over 5,576 acre-feet of water delivered to the Baseline Feeder Retail Agencies in Fiscal Year 2020-21.

The following table shows revenues from water sales to the Baseline Feeder Retail Agencies for the last five Fiscal Years.

**SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT
HISTORIC WATER SALES REVENUES
(BASELINE FEEDER RETAIL AGENCIES)**

<i>Fiscal Year ended June 30</i>	<i>City of Rialto⁽¹⁾</i>	<i>Riverside Highland Water Company⁽¹⁾</i>	<i>West Valley Water District⁽¹⁾</i>	<i>Total</i>
2022	\$203,188	\$405,049	\$512,944	\$1,121,181
2021	178,935	111,084	282,716	572,734
2020	225,204	66,446	514,979	806,629
2019	218,434	76,353	487,950	782,737
2018	278,810	11,332	485,572	775,714

⁽¹⁾ Amounts do not include the stand-by payment or the capital payment, as applicable, payable by the Baseline Feeder Retail Agencies under the Amended Agreement.
Source: District.

Water sales to the Baseline Feeder Retail Agencies under the contracts accounted for approximately 3.4% of total Revenues in Fiscal Year 2021-22. See the caption “—Projected Water Sales Revenues” for information regarding projected Baseline Feeder Project water sales in the next five Fiscal Years. See the caption “—Wholesale Water Distribution System” for further information with respect to the Baseline Feeder Project.

Other Retail Water Sales. The District sells wholesale SWP water to other retail water agencies. Such water sales are not made pursuant to water service contracts. As a result, retail water agencies other than the Baseline Feeder Retail Agencies are not obligated to purchase water from the District. Moneys received from water sales to such other retail water agencies constitute Revenues pledged to payment of the Installment Payments.

The following table shows the largest wholesale water customers of the System as of the Fiscal Year ending June 30, 2022, as determined by annual payments.

**SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT
LARGEST WHOLESALE WATER CUSTOMERS⁽¹⁾**

<i>Customer</i>	<i>Annual Payments</i>
Big Bear Municipal Water District	\$ 1,694,332
Yucaipa Valley Water District	567,173
West Valley Water District – State Project Water	269,692
East Valley Water District	266,256
Crestline Lake Arrowhead Water Agency	74,861
Bear Valley Mutual Water Co.	65,755
Riverside Highland Water Co.	48,489
Yucaipa Regional Park	45,155
Greenspot Mutual Water Co.	8,114
Total	<u>\$ 3,039,827</u>

⁽¹⁾ Excludes Baseline Feeder Project water sales.
Source: District.

These wholesale water customers accounted for approximately 9.3% of Revenues in Fiscal Year 2021-22.

Historic Water Sales Revenues

The following table shows revenues from District water sales to the Baseline Feeder Retail Agencies and other retail agencies which constitute Revenues for the five most recent Fiscal Years.

**SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT
HISTORIC WATER SALES REVENUES**

<i>Fiscal Year ended June 30</i>	<i>Sales to Baseline Feeder Retail Agencies</i>	<i>Sales to Others</i>	<i>Total</i>	<i>Increase/(Decrease)</i>
2022 ⁽¹⁾	\$ 1,121,181	\$ 3,039,827	\$ 4,161,008	(14.20)%
2021 ⁽¹⁾	572,734	4,276,661	4,849,395	(9.95)
2020 ⁽¹⁾	806,629	4,578,665	5,385,294	(40.34)
2019 ⁽²⁾	782,737	8,244,235	9,026,976	69.98
2018	775,714	4,534,819	5,310,533	N/A

⁽¹⁾ Decreases in Fiscal Years 2019-20, 2020-21 and 2021-22 are due to lower water allocation years from the State Water Project.

⁽²⁾ Increase in Fiscal Year 2018-19 due to higher allocation available from the State Water Project.

Source: District.

Drought in California

Governor’s Executive Orders. Hydrological conditions in California can vary widely from year to year. The water years 2020 through 2022 combined ranked as the three driest years in California’s statewide precipitation record. (A water year begins on October 1 and ends on the following September 30.) Beginning in April 2021, Governor Newsom issued a series of drought emergency proclamations affecting various counties throughout the State, culminating in an October 19, 2021 proclamation declaring a drought state of emergency to be in effect statewide and directing local water suppliers to implement water shortage contingency plans at a level appropriate to local conditions. On March 28, 2022, Governor Newsom issued an executive order directing the State Water Resources Control Board (the “SWRCB”) to consider adopting regulations by May 25, 2022, to require urban water suppliers with water shortage contingency plans to implement, at a minimum, shortage response actions for a shortage level of up to 20 percent (a “Level 2” shortage). On May 24, 2022, in response to the executive order, the SWRCB adopted a new emergency water conservation regulation. The new regulation temporarily bans irrigating turf with potable water at commercial, industrial, and institutional properties, such as grass in front of or next to large industrial or commercial buildings. The ban does not include watering turf that is used for recreation or other community purposes, water used at residences or water to maintain trees. The regulation also requires all urban water suppliers to implement conservation actions under Level 2 of their water shortage contingency plans.

While the District cannot currently predict whether further reductions in water use in the District’s service area may result from such orders or future orders, the District currently does not believe that such reductions will have a material adverse effect on the District’s ability to make the Series 2023A Installment Payments. However, there can be no assurance that prolonged drought conditions will not impact the District’s service area in the future, leading to decreased water sales resulting in a decline in Net Revenues, or that the State’s permanent water usage restrictions or other conservation measures will not lead to decreased usage of the District’s System, resulting in a decline in Net Revenues.

The District is obligated under the 2023A Installment Purchase Agreement to set rates and charges sufficient to provide Net Revenues equal to 125% of Debt Service due in each fiscal year as more particularly described under the caption “SECURITY FOR THE NOTES —Rate Covenant Under the 2023A Installment

Purchase Agreement” in the front part of this Official Statement. The ability of the District to modify its current rate structure is subject to compliance with certain California Constitutional provisions, including but not limited to Proposition 26. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES” in the front part of this Official Statement.

District Drought Response Actions and Impact. In June 2021, the Board of Directors adopted its current *San Bernardino Valley Municipal Water District Regional Water Shortage Contingency Plan* (the “Contingency Plan”). The Contingency Plan was prepared by the District in conjunction with the District’s 2020 Urban Water Management plan, which is included in the IRWUMP. The Contingency Plan is a strategic plan the District uses to prepare for and respond to foreseeable and unforeseeable water shortages, including those caused by drought. The Contingency Plan provides a process for an annual water supply and demand assessment and structured steps designed to respond to actual water supply conditions.

Future Improvements

The District projects total capital improvements to the System of approximately \$256.5 million (including the 2023 WIFIA Project) over the next five years, including pipeline construction and repairs, storm water capture and recharge improvements and water spreading projects. The capital improvements are expected to be financed by a combination of grants, loans, the 2023 WIFIA Loan, potentially other WIFIA Loans discussed under the caption “—Upper Santa Watershed Integrated Regional Water Management Plan,” proceeds of the Notes, and Revenues. The District does not currently project issuing any Bonds or entering into any Contract (other than loans and WIFIA Loans) to finance such improvements.

The District also participates in and contributes funding to two water storage and reliability enhancement projects being developed by other public agencies (the Sites Reservoir Project and the Delta Conveyance Project). For more information on the Sites Reservoir Project and the Delta Conveyance Project, see the caption “—Water Supply Contract.”

For more information with respect to the 2023 Project, the 2023 WIFIA Project and Watershed Connect, see the captions, see the caption “PLAN OF FINANCE—The 2023 Project” in the front part of this Official Statement and “—Upper Santa Ana Watershed Integrated Regional Water Management Plan” in this Appendix A.

Projected Water Sales Revenues

The following table shows projected revenues from District water sales to the Baseline Feeder Retail Agencies and other retail agencies which constitute Revenues for the current and next four Fiscal Years.

**SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT
PROJECTED WATER SALES REVENUES**

<i>Fiscal Year ending June 30</i>	<i>Sales to Baseline Feeder Retail Agencies</i>	<i>Sales to Others</i>	<i>Total</i>	<i>Increase/(Decrease)</i>
2023	\$ 1,447,500	\$ 3,404,050	\$ 4,851,550	N/A
2024 ⁽¹⁾	1,322,500	7,891,585	9,214,085	89.92%
2025	1,322,500	8,072,954	9,395,454	1.97
2026	1,322,500	8,243,755	9,566,255	1.82
2027	1,322,500	8,436,174	9,758,674	2.01

⁽¹⁾ Increase in Fiscal Year 2023-24 due to expected deliveries to the San Bernardino Basin Groundwater Council and use of 10-year average of availability of SWP water in developing the projections. The 10-year average of availability of SWP water

does not take into account the 100% allocation of water under the Water Supply Contract announced by DWR on April 20, 2023.

Source: District.

Actual water deliveries will depend on a variety of factors, including but not limited to hydrological conditions, weather, and water conservation efforts.

DISTRICT FINANCIAL INFORMATION

Financial Statements

A copy of the District's most recent financial statements audited by Rogers, Anderson, Malody & Scott, LLP, San Bernardino, California (the "Auditors") are included as Appendix B (the "Financial Statements") and should be read in their entirety. The Auditors' letter concludes that the audited Financial Statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2022, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The summary operating results contained under the caption "—Historic Operating Results" are derived from the Financial Statements and audited financial statements of the District for the prior five Fiscal Years (excluding certain non-cash items and after certain other adjustments) and are qualified in their entirety by reference to such statements, including the notes thereto. The Auditors have not reviewed the summary operating results below. The information set forth in the following table reflects information for each period as set forth therein, as provided by the District.

Historic Operating Results

The following table is a summary of operating results of the District for the last five Fiscal Years, excluding District revenues that are not pledged toward payment of the Installment Payments.

SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT HISTORIC OPERATING RESULTS FISCAL YEAR ENDED JUNE 30

	2022	2021	2020	2019	2018
Revenues					
Water Sales ⁽¹⁾	\$ 3,039,827	\$ 4,276,661	\$ 4,578,665	\$ 8,244,239	\$ 4,534,819
Water Sales (Baseline Feeder Retail Agencies) ⁽¹⁾	1,121,181	572,734	806,629	782,737	775,714
Administrative Debt Service Charge ⁽²⁾	3,103,700	3,158,100	2,989,900	3,032,400	2,753,600
1% Property Tax Revenues ⁽³⁾	11,817,868	11,050,494	10,362,514	9,878,362	9,440,664
Redevelopment Agency Pass-Through ⁽⁴⁾	7,766,154	6,307,709	5,008,044	4,792,866	3,901,101
Interest Income ⁽⁵⁾	822,259	2,536,311	3,397,589	2,154,651	2,342,520
Other ⁽⁶⁾	<u>4,954,797</u>	<u>5,643,294</u>	<u>7,147,055</u>	<u>5,998,289</u>	<u>8,810,300</u>
Total Revenues	\$ 32,625,786	\$ 33,545,303	\$ 34,290,396	\$ 34,883,544	\$ 32,558,718
Operation and Maintenance Costs					
Administrative and General ⁽⁷⁾	<u>\$ 24,397,440</u>	<u>\$ 22,573,657</u>	<u>\$ 17,442,511</u>	<u>\$ 17,562,200</u>	<u>\$ 18,433,588</u>
Total Operation and Maintenance Costs	\$ 24,397,440	\$ 22,573,657	\$ 17,442,511	\$ 17,562,200	\$ 18,433,588
Net Revenues	\$ 8,228,346	\$ 10,971,646	\$ 16,847,885	\$ 17,321,344	\$ 14,125,130
Debt Service					
2011 Installment Payments	<u>\$ 502,544</u>	<u>\$ 500,944</u>	<u>\$ 498,944</u>	<u>\$ 501,644</u>	<u>\$ 503,219</u>
Total Debt Service	\$ 502,544	\$ 500,944	\$ 498,944	\$ 501,644	\$ 503,219
Debt Service Coverage	16.37	21.90	33.77	34.53	28.07
Net Revenues Remaining After Debt Service	\$ 7,725,802	\$ 10,470,702	\$ 16,348,941	\$ 16,819,700	\$ 13,621,911

⁽¹⁾ Water sales revenues set forth in the Financial Statements reflect the sum of revenues from sales to the Baseline Feeder Retail Agencies and revenues from sales to other wholesale customers.

⁽²⁾ Represents an administrative charge from the proceeds of the SWP Property Tax for the costs of the District allocable to District operations undertaken in connection with the administration of the Water Supply Contract. Such administrative charge is equal to approximately five percent of the SWP Property Tax levied in a Fiscal Year. See the captions "SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT—Budget Process" and "—1% Property Tax Revenues."

⁽³⁾ Excludes the Assessment levied to pay the District's obligations under the Water Supply Contract. See the captions "SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT—Budget Process" and "—1% Property Tax Revenues." Includes unpaid taxes from prior years and supplemental taxes.

⁽⁴⁾ Represents pass-through payments from redevelopment agencies pursuant to the Health and Safety Code of the State.

⁽⁵⁾ Excludes interest income on restricted reserves held pursuant to the Water Supply Contract which are not pledged to payment of Installment Payments. The decrease in interest income in Fiscal Year 2021-22 is attributable to a decrease of amounts held in the District's general fund due to the expenditure of cash for certain capital improvement projects and a decline in the interest rates on District investments.

⁽⁶⁾ Includes reimbursement of project costs from other water agencies and other miscellaneous income and grant income. Includes payments from the Baseline Feeder Retail Agencies as reimbursement to the District for the 2011 Installment Payments.

⁽⁷⁾ Differs from amounts set forth in the Financial Statements because the above figures exclude Operation and Maintenance Costs payable from the SWP Property Tax. See the caption "SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT—Water Supply Contract." Increase in Fiscal Year 2020-21 due to payments for water conservation measures and consultants for various studies and projects. Increase in Fiscal Year 2021-22 due to increased costs for purchased water and consultants and contributions to the local resources investment program.

Source: District.

Management Discussion of Historical Operating Results

In Fiscal Year 2021-22 the District's net position was restated due to the implementation of GASB Statement No. 87, resulting in a decrease of the District's beginning net position of \$4,500. In Fiscal Year

2021-22, the District recognized a current liability of approximately \$15 million on its Statement of Net Position for unearned revenue relating to cash advances received by the District from various water purveyors in exchange for commitments of future water deliveries.

In Fiscal Year 2017-18, the District implemented GASB Statement No. 75 effective July 1, 2017. GASB 75, among other provisions, amended prior guidance with respect to the reporting of OPEB. GASB 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expenses. The District's net OPEB liability was not previously recorded on the statement of net position. GASB 75 requires that accounting changes adopted to conform to the provisions of the Statement be applied retroactively by restating financial statements. Restatement of the comparative financial data for the prior period presented is not practical due to the unavailability of actuarial information, therefore the provisions of GASB 75 were not applied to the prior period. The cumulative effects of applying the provisions of GASB State No. 75 were reported as a restatement of beginning net position for the year ended June 30, 2018, resulting in a decrease of the District's beginning net position for such period of \$8,614,500.

Projected Operating Results and Debt Service Coverage

The estimated projected operating results and debt service coverage of the District for the Fiscal Years ending June 30, 2023 through 2027 are set forth below, excluding District revenues that are not pledged toward payment of the Installment Payments. The projected operating results reflect certain significant assumptions concerning future events and circumstances. The financial forecast represents the District's estimate of projected financial results based on the assumptions stated in the footnotes to the chart set forth below. Such assumptions are material in the development of the District's financial projections, and variations in the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material.

**SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT
PROJECTED OPERATING RESULTS AND DEBT SERVICE COVERAGE
FISCAL YEAR ENDING JUNE 30**

	2023 ⁽¹⁾	2024	2025	2026	2027
Revenues					
Water Sales ⁽²⁾	\$ 3,404,050	\$ 7,891,585	\$ 8,072,954	\$ 8,243,755	\$ 8,436,174
Water Sales (Baseline Feeder Retail Agencies) ⁽²⁾	1,447,500	1,322,500	1,322,500	1,322,500	1,322,500
Administrative Debt Service Charge ⁽³⁾	3,130,000	3,192,600	3,256,452	3,321,581	3,388,013
1% Property Tax Revenues ⁽⁴⁾	11,876,000	12,330,034	12,576,634	12,828,167	13,084,730
Redevelopment Agency Pass-Through ⁽⁵⁾	7,200,000	7,921,477	8,079,907	8,241,505	8,406,335
Interest Income ⁽⁶⁾	796,511	505,814	414,723	252,623	168,860
Other ⁽⁷⁾	<u>10,588,700</u>	<u>5,657,132</u>	<u>5,743,533</u>	<u>6,132,397</u>	<u>5,246,823</u>
Total Revenues	\$ 38,422,761	\$ 38,821,141	\$ 39,466,703	\$ 40,342,528	\$ 40,053,436
Operation and Maintenance Costs					
Administrative and General ⁽⁸⁾	<u>\$ 32,936,565</u>	<u>\$ 29,966,251</u>	<u>\$ 29,182,356</u>	<u>\$ 29,605,857</u>	<u>\$ 30,625,439</u>
Total Operation and Maintenance Costs	\$ 32,936,565	\$ 29,966,251	\$ 29,182,356	\$ 29,605,857	\$ 30,625,439
Net Revenues	\$ 5,506,196	\$ 8,854,890	\$ 10,284,347	\$ 10,736,671	\$ 9,427,996
Debt Service					
2011 Installment Payments	\$ 503,744	\$ 499,644	\$ 500,244	\$ 500,444	\$ 500,244
2023A Installment Payments ⁽⁹⁾	-	-	-	-	-
2023 WIFIA Installment Payments ⁽¹⁰⁾	-	-	-	-	-
2024 WIFIA Installment Payments ⁽¹¹⁾	-	-	-	-	-
Total Debt Service	<u>\$ 503,744</u>	<u>\$ 499,644</u>	<u>\$ 500,244</u>	<u>\$ 500,444</u>	<u>\$ 500,244</u>
Debt Service Coverage	10.93	17.72	20.56	21.45	18.85
Net Revenues Remaining After Debt Service	\$5,002,452	\$8,355,246	\$9,784,103	\$10,236,227	\$8,927,752

⁽¹⁾ Based on Fiscal Year 2022-23 budget adopted June 21, 2022, with certain adjustments. See the caption "SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT—Budget Process."

⁽²⁾ Based on projected water sales revenues set forth under the caption "SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT—Projected Water Sales Revenues." Increase in Fiscal Year 2023-24 due to a projected sale of 20,000 acre feet of water to the San Bernardino Basin Groundwater Council in Fiscal Year 2023-24 and each year thereafter. See the caption "SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT—Projected Water Sales Revenues."

⁽³⁾ Represents an administrative charge from the proceeds of the SWP Property Tax for the costs of the District allocable to District operations undertaken in connection with the administration of the Water Supply Contract. Such administrative charge is equal to approximately five percent of the SWP Property Tax levied in a Fiscal Year. See the captions "SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT—Budget Process" and "—1% Property Tax Revenues."

⁽⁴⁾ See the caption "SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT—1% Property Tax Revenues." Projected to increase at 2.00% annually beginning in Fiscal Year 2022-23.

⁽⁵⁾ Represents pass-through payments from redevelopment agencies pursuant to the Health and Safety Code of the State. Projected to increase at 2.00% annually beginning in Fiscal Year 2022-23.

⁽⁶⁾ Excludes interest income on restricted reserves held pursuant to the Water Supply Contract which are not pledged to payment of Installment Payments. Projected to increase at 1.00% annually beginning in Fiscal Year 2022-23.

⁽⁷⁾ Includes reimbursement of project costs from other water agencies and other miscellaneous income and grant income. Includes payments from the Baseline Feeder Retail Agencies as reimbursement to the District for the 2011 Installment Payments. Amounts other than reimbursements for the 2011 Installment Payments projected to increase at 1.00% annually beginning in Fiscal Year 2022-23.

⁽⁸⁾ Excludes Operation and Maintenance costs payable from the SWP Property Tax. See the caption "SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT—Water Supply Contract." Increase in projections for Fiscal Year 2022-23 from Fiscal Year 2021-22 attributable to projected increases in the costs of District consultants, utilities and communications, maintenance and repair, water conservation and other District expenses.

⁽⁹⁾ Assumes all of the interest represented by the Series 2023A Installment Payments will be capitalized. Excludes principal with respect to the Series 2023A Installment Payments because such principal is expected to be made from a draw on the 2023 WIFIA Loan.

⁽¹⁰⁾ The 2023 WIFIA Loan is projected to be in the principal amount of \$69,818,796 and is projected to bear interest at a rate of 4.0% per annum. Assumes payments of interest on the 2023 WIFIA Loan will not commence until 2030.

⁽¹¹⁾ The 2024 WIFIA Loan is projected to be in the principal amount of \$23,248,100 and is projected to bear interest at a rate of 4.5% per annum. Assumes payments of interest on the 2024 WIFIA Loan will not commence until 2030.

Source: District.

Execution and Delivery

The execution and delivery of this Appendix have been duly authorized by the District.

SAN BERNARDINO VALLEY MUNICIPAL
WATER DISTRICT

By: _____
President

APPENDIX B

**SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT FINANCIAL STATEMENTS,
INCLUDING THE AUDITOR'S REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING**

APPENDIX C
SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

[TO COME FROM NOTE COUNSEL]

APPENDIX D

FORMS OF OPINION OF NOTE COUNSEL

Upon issuance of the Notes, Stradling Yocca Carlson & Rauth, a Professional Corporation, Note Counsel, proposes to render its final approving opinions in substantially the following form:

_____, 2023

Upper Santa Ana River Watershed Infrastructure Financing Authority
380 East Vanderbilt Way
San Bernardino, California 92408

*Re: Upper Santa Ana River Watershed Infrastructure Financing Authority
Interim Notes (San Bernardino Valley Municipal Water District), Series 2023A*

Members of the Board of Directors:

We have acted as Note Counsel to the Upper Santa Ana River Watershed Infrastructure Financing Authority (the "Authority") in connection with the issuance of \$_____ aggregate principal amount of Interim Notes (San Bernardino Valley Municipal Water District), Series 2023A (the "Notes"). The Notes have been issued by the Authority pursuant to the terms of the Indenture of Trust, dated as of May 1, 2023 (the "Indenture"), by and between the Authority and U.S. Bank Trust Company, National Association, as trustee (the "Trustee").

The Notes are limited obligations of the Authority payable from Authority Revenues (as such term is defined in the Indenture) and from certain other amounts on deposit in funds and accounts under the Indenture. Authority Revenues consist primarily of payments (the "Series 2023A Installment Payments") received by the Authority from the District pursuant to an Installment Purchase Agreement, dated as of May 1, 2023 (the "Installment Purchase Agreement"), by and between the District and the Authority. The obligation of the District to make the Series 2023A Installment Payments is a special obligation of the District payable from Net Revenues of the District, constituting of Revenues remaining after the payment of Operation and Maintenance Costs (as such terms are defined in the Installment Purchase Agreement).

In connection with our representation we have examined a certified copy of the proceedings relating to the Notes. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigations.

Based upon the foregoing and after examination of such questions of law as we have deemed relevant in the circumstances, but subject to the limitations set forth herein, we are of the opinion that:

1. The proceedings of the Authority show lawful authority for the issuance by the Authority of the Notes under the laws of the State of California now in force, and the Indenture has been duly authorized, executed and delivered by the Authority, and, assuming due authorization, execution and delivery by the Trustee, as appropriate, the Notes and the Indenture are valid and binding obligations of the Authority enforceable against the Authority in accordance with their respective terms.

2. The obligation of the Authority to make the payments of principal and interest on the Notes from Authority Revenues (as such term is defined in the Indenture) is an enforceable obligation of the

Authority and does not constitute an indebtedness of the Authority in contravention of any constitutional or statutory debt limit or restriction.

3. Under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Notes is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals; however, it should be noted that for tax years beginning after December 31, 2022, with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code"), interest (and original issue discount) on the Notes might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed on such corporations.

4. Interest (and original issue discount) on the Notes is exempt from State of California personal income tax.

5. The excess of the stated redemption price at maturity over the issue price of a Note (the first price at which a substantial amount of the Note of a maturity is to be sold to the public) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Note Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Note Owner will increase the Owner's basis in the applicable Note. Original issue discount that accrues to the Note Owner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and is exempt from State of California personal income tax.

6. The amount by which a Note Owner's original basis for determining gain or loss on sale or exchange of the applicable Note (generally the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes "amortizable bond premium" which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable bond premium reduces the Note Owner's basis in the applicable Note (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Note Owner realizing a taxable gain when a Note is sold by the Note Owner for an amount equal to or less (under certain circumstances) than the original cost of the Note to the Note Owner. Purchasers of the Note should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The opinions that are expressed herein as to the exclusion from gross income of the interest (and original issue discount) on the Notes are based upon certain representations of fact and certifications made by the District and others and are subject to the condition that the District complies with all requirements of the Code that must be satisfied subsequent to the issuance of the Notes to assure that interest (and original issue discount) on the Notes will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes. The District has covenanted to comply with all such requirements.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the rights and obligations under the Indenture and the Notes are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California.

The opinions that are expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement with respect to the Notes terminates on the date of their issuance. The Indenture and the Tax Certificate relating to the Notes permit certain actions to be taken or to be omitted if a favorable opinion of Note Counsel is provided with respect thereto. No opinion is expressed herein as to the exclusion from gross income of interest (and original issue discount) on the Notes for federal income tax purposes with respect to any Note if any such action is taken or omitted based upon the opinion or advice of counsel other than ourselves. Other than expressly stated herein, we express no other opinion regarding tax consequences with respect to the Notes.

By delivering this opinion, we are not expressing any opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the Notes, the Indenture or the Installment Purchase Agreement, nor are we expressing any opinion with respect to the state or quality of title to or interest in any assets described in or as subject to the lien of the Indenture or the Installment Purchase Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on any assets thereunder.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the Notes or other offering material relating to the Notes and expressly disclaim any duty to advise the owners of the Notes with respect to matters contained in the Official Statement.

Respectfully submitted,

APPENDIX E

INFORMATION CONCERNING THE DEPOSITORY TRUST COMPANY

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the District and the Underwriter believe to be reliable, but neither the District nor the Underwriter takes any responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Notes, payment of principal, premium, if any, accreted value, if any, and interest with respect to the Notes to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Notes and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Notes. The Notes will be executed and delivered as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered note will be executed and delivered for each annual maturity of the Notes, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC is rated AA+ by Standard & Poor's. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose

accounts such as Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Notes within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Note Owner shall give notice to elect to have its Notes purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Note by causing the Direct Participant to transfer the Participant's interest in the Notes, on DTC's records, to the Trustee. The requirement for physical delivery of Notes in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Notes are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Notes to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical Notes are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Notes will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE NOTES, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE NOTES CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

[TO BE INSERTED BY DISCLOSURE COUNSEL]

EXHIBIT E

GOOD FAITH ESTIMATES

The good faith estimates set forth herein are provided with respect to the Notes and the Bonds in accordance with California Government Code Section 5852.1. Such good faith estimates have been provided to the Authority by Fieldman, Rolapp & Associates, Inc., the Authority's municipal advisor in connection with the issuance of the Notes and the Bonds (the "Municipal Advisor").

Principal Amount. The Municipal Advisor has informed the Authority that, based on the Authority's financing plan and current market conditions, its good faith estimate of the aggregate amount of the Notes to be sold is \$48,345,000 and the aggregate principal amount of the Bonds to be sold is \$5,630,000.

True Interest Cost of the Notes and the Bonds. The Municipal Advisor has informed the Authority that based on the expected interest rates prevailing at the time of preparation of such estimate, their good faith estimate of the true interest cost of the Notes, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the Notes, is 3.42%. The Municipal Advisor has informed the Authority that based on the expected interest rates prevailing at the time of preparation of such estimate, their good faith estimate of the true interest cost of the Bonds, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the Bonds, is 3.37%.

Finance Charge of the Notes and the Bonds. The Municipal Advisor has informed the Authority that, assuming that the Notes are executed, their good faith estimate of the finance charge for the Notes, which means the sum of all fees and charges paid to third parties (or costs associated with the Notes), is \$804,273. The Municipal Advisor has informed the Authority that, assuming that the Bonds are executed, their good faith estimate of the finance charge for the Bonds, which means the sum of all fees and charges paid to third parties (or costs associated with the Bonds), is \$36,047.

Amount of Proceeds to be Received. The Municipal Advisor has informed the Authority that based on estimated interest rates prevailing at the time of preparation of such estimate, their good faith estimate of the amount of proceeds expected to be received by the Authority for sale of the Notes, less the finance charge of the Notes, as estimated above, and any reserves or capitalized interest paid or funded with proceeds of the Notes, of \$5,705,729, is \$43,689,994. The Municipal Advisor has informed the Authority that based on estimated interest rates prevailing at the time of preparation of such estimate, their good faith estimate of the amount of proceeds expected to be received by the Authority for sale of the Bonds, less the finance charge of the Bonds, as estimated above, and any reserves or capitalized interest paid or funded with proceeds of the Bonds, is \$6,402,282.

Total Payment Amount. The Municipal Advisor has informed the Authority that based on interest rates prevailing at the time of preparation of such estimate, their good faith estimate

of the total payment amount, which means the sum total of all payments the Authority will make to pay debt service on the Notes, plus the finance charge for the Notes, as described above, paid with the proceeds of the Notes, calculated to the final maturity of the Notes, is \$54,294,120, which excludes any reserves funded with proceeds of the Notes (which may offset such total payment amount). The Municipal Advisor has informed the Authority that based on interest rates prevailing at the time of preparation of such estimate, their good faith estimate of the total payment amount, which means the sum total of all payments the Authority will make to pay debt service on the Bonds, plus the finance charge for the Bonds, as described above, paid with the proceeds of the Bonds, calculated to the final maturity of the Bonds, is \$8,690,261, which excludes any reserves funded with proceeds of the Bonds (which may offset such total payment amount).

The foregoing estimates constitute good faith estimates only as of May 2, 2023, and are based on information provided in the Indenture at the time of preparation of such estimates and have no bearing on, and should not be misconstrued as, any not-to-exceed financial parameters authorized by the resolution. The actual principal amount of the Notes and the Bonds issued and sold, the true interest cost thereof, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates due to (a) the actual date of issuing the Notes and the Bonds being different than the date assumed for purposes of such estimates, (b) the actual principal amount of Notes and Bonds sold being different from the principal amount, (c) the actual amortization of the Notes and the Bonds being different than the amortization assumed for purposes of such estimates, (d) the actual interest rates at the time of sale of the Notes and the Bonds being different than those estimated for purposes of such estimates, (e) other market conditions, (f) alterations in the Authority's financing plan, or a combination of such factors. The actual date of execution of the Notes and the Bonds and the actual principal amount of the Notes and the Bonds sold will be determined by the Authority based on the timing of the need for proceeds of the Notes and the Bonds and other factors. Factors such as the final loan repayment schedule, any changes to the interest rate on the Notes and the Bonds and timing of the execution of the Notes and the Bonds may be affected by factors beyond the control of the Authority, or the Municipal Advisor.