

**AGENDA FOR MEETING OF BOARD OF DIRECTORS
OF
SAN BERNARDINO VALLEY CONSERVATION TRUST,
a California Nonprofit Public Benefit Corporation**

Wednesday, January 17, 2024 – 2:00 P.M.

Location—1630 West Redlands Boulevard, Suite A, Redlands, California

Anyone wishing to join the meeting can join via Zoom:

Call in (669) 900-6833, Meeting ID: 889-1048-7828

To join the Zoom Meeting: <https://us06web.zoom.us/j/88910487828>

Note: Copies of staff reports and other documents relating to the items on this agenda are on file at the San Bernardino Valley Water Conservation District office and are available for public review during regular District business hours. New information relating to agenda topics listed, received, or generated by the District after the posting of this agenda, but before the meeting, will be made available upon request. The San Bernardino Valley Conservation Trust intends to follow California Open Meeting laws and the Americans with Disabilities Act (ADA) in all respects. If you need special assistance with respect to the agenda or other written materials forwarded to the members of the Board for consideration at the Board meeting, or if as an attendee or a participant at this meeting you will need special assistance, the District will attempt to accommodate you in every reasonable manner. Please contact Athena Monge at (909) 793-2503 at least 48 hours prior to the meeting to inform her of your particular needs and to determine if accommodation is feasible. Please advise us at that time if you will need accommodations to attend or participate in meetings on a regular basis.

CALL TO ORDER

ROLL CALL

1. PUBLIC PARTICIPATION

Members of the public may address the Board of Directors on any item that is within the jurisdiction of the Board; however, no action may be taken on any item not appearing on the agenda unless the action is otherwise authorized by Subdivision (b) Section 54954.2 of the Government Code.

2. APPROVAL OF MINUTES FROM OCTOBER 18 AND OCTOBER 24, 2023.....p. 3

Presenter: Milan Mitrovich

Recommendation: Review and approve minutes from October 18 and October 24, 2023, as presented.

3. FINANCIAL STATUS UPDATE.....p. 10

Presenter: Angie Quiroga

Recommendation: Review and approve quarterly financial report.

4. PFM INVESTMENT PERFORMANCE REVIEW UPDATE FOR QUARTER ENDED DECEMBER 31, 2023

Presenter: Sarah Hart/PFM Asset Management

Recommendation: Receive update on performance of endowment fund investments.

5. SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT.....p. 12
PROMISSORY NOTE

Presenter: Milan Mitrovich/David Cosgrove

Recommendation: Discuss process for repayment of Trust's liability to the San Bernardino Valley Water Conservation District in the form of a Promissory Note

6. BLM FUELS MANAGEMENT GRANT UPDATE

Presenter: Milan Mitrovich

Recommendation: Receive update on Fuels Management Grant

7. ADJOURN MEETING

The next regularly scheduled Board of Directors Meeting will be on Wednesday, April 17, 2024 at 2:00 p.m., at 1630 W. Redlands Blvd., Redlands, CA.

**MINUTES FOR MEETING OF BOARD OF DIRECTORS
OF
SAN BERNARDINO VALLEY CONSERVATION TRUST,**
a California Nonprofit Public Benefit Corporation

Wednesday, October 18, 2023 – 2:00 pm

CALL TO ORDER –2:02 p.m.

ROLL CALL

David E. Raley, SBV Water Conservation District (District)
John Longville, SBV Water Conservation District (Arrival 2:15 pm)
Paul Kielhold, SBV Municipal Water District (Absent)
Brad Buller, IE Resource Conservation District

Milan Mitrovich, SBV Water Conservation District
Angie Quiroga, SBV Water Conservation District
David Cosgrove, SBV Water Conservation District
Bob Stewart, SBV Water Conservation District
Ellen Clark, PFM Asset Management(remote)
Sarah Hart, PFM Asset Management(remote)
Laura Arvizu, Rogers, Anderson, Malody & Scott, LLC (RAMS) (remote)
Joanna Gibson, SBV Municipal Water District (remote)
Kai Palenscar, US Fish & Wildlife Service (remote)

1. PUBLIC PARTICIPATION -None
2. APPROVAL OF MINUTES FROM JULY 19, 2023

Action: Motion was made by Vice President Longville and seconded by President Raley to approve the meeting minutes from July 19, 2023. The motion carried 3-0-1 with all members present voting in the affirmative.

President Raley: Yes
Vice President Longville: Yes
Director Kielhold: Absent
Director Buller: Yes

3. APPOINTMENT OF OFFICERS

Action: Motion was made by Director Buller and seconded by Vice President Longville to reappoint David Raley as President, John Longville as Vice President and Milan Mitrovich as Executive Officer/Secretary/CFO for another annual term. The motion carried 3-0-1 with all members present voting in the affirmative.

President Raley: Yes
Vice President Longville: Yes
Director Kielhold: Absent
Director Buller: Yes

4. REVIEW DRAFT AUDIT REPORT AND CONSIDER APPROVAL

Laura Arvizu, Audit Manager, from RAMS provided an overview of what the audit entails. RAMS' services include the audit of the financial statements and a letter of their findings. RAMS does assist the Trust in completing the financial statements solely based on what management provides but RAMS is only responsible for the audit of the report and their opinion letter. Mr. Cosgrove stated this is the disclaimer that would be made by any auditor. Ms. Arvizu stated the audit process is done in accordance with US Generally Accepted Accounting Principles (GAAP). RAMS reviews the recording of the financial transactions, internal controls, checks received, and payments sent out making sure the balances agree to what is shown in the Trust's records through June 30, 2023. There were no significant changes this year as far as presentation of the report. RAMS has determined an overall clean audit which is the cleanest opinion they can issue. Ms. Arvizu thanked management and stated it is always a pleasure working with Ms. Quiroga.

Action: Motion was made by Vice President Longville and seconded by Director Buller to approve the FY 2022/2023 audit report as presented. The motion carried 3-0-1 with all members present voting in the affirmative.

President Raley: Yes
Vice President Longville: Yes
Director Kielhold: Absent
Director Buller: Yes

5. FINANCIAL STATUS UPDATE

Angie Quiroga presented the financial status update starting on package page 19. The Trust received additional mitigation deposit funds from S-P Deerfield in the amount of \$5,000 and a new agreement and deposit of \$10,000 from TREH Partners. As discussed at the last meeting and reviewed by the auditors, \$351,153.64 was reimbursed to the District for the first three years of implementation expenses. She reviewed remaining revenue and expenses incurred for the quarter noting US Bank investments unrealized loss of \$131,029.82. She advised our accounts receivable remains unchanged at this time. The liability to the District was reduced by the reimbursement payment and increased by additional implementation costs for the quarter in the amount of \$106,085 leaving the current balance at \$2,298,551 and an unearned mitigation credit liability balance of \$179,766. President Raley inquired about the District loan. Mr. Mitrovich reminded the Board that the District has assisted the Trust with a loan to complete requirements of the Wash Plan HCP since approval in 2020 ahead of a fully-funded endowment. Both Cemex and Robertson's are waiting on approval and completion of the land exchange with BLM before paying their share of the endowment.

Action: Motion was made by Vice President Longville and seconded by Director Buller to approve the quarterly financial report as presented. The motion carried 3-0-1 with all members present voting in the affirmative.

President Raley: Yes
Vice President Longville: Yes
Director Kielhold: Absent
Director Buller: Yes

6. PFM INVESTMENT PERFORMANCE REVIEW UPDATE FOR QUARTER ENDED JUNE 30, 2023

Ellen Clark, PFM Asset Management Director, re-introduced herself and introduced Sarah Hart who has been with PFM for 7 years, joined the Multi-Asset Class team this past summer, and will be our new point of contact replacing Matt Smith. Ms. Hart provided a slide presentation touching on performance-to-date and the past year's economic factors. She discussed Federal rate hikes, effects of higher interest rates, gross domestic product (GDP), consumer confidence, unemployment and inflation. President Raley and Vice-President Longville requested, going forward, less detailed information on the overall market and more specific information to the status of the Trust's investments is what the Board would like to receive. Ms. Clark continued the slide presentation focusing on the status of the Trust's portfolio. She stated there is just over \$3.2 million in the portfolio as of June 30, 2023. There have been some robust return numbers, 3.6% on the quarter, the trailing one year at 9.5%, and since inception, which is just over 5 years, is 6.4% on an annualized basis. We are sitting just under the Blended benchmark which represents 46% allocation in Domestic Equities using the Russel 3000 index as the benchmark, 24% allocation in International Equities using MSCI AC World ex USA as the benchmark, and a fixed income index at 30% allocation using Bloomberg Aggregate Index as the benchmark. The portfolio is performing in line with expectations. Based on discussions with Mr. Mitrovich, the key number we are looking to achieve is 4% spending out of this portfolio with 2 or 2 ½% inflation so you will need 6-6 ½% returns which has been achieved over the last 5+ years. This item was received and filed.

7. COMMUNITY MITIGATION UPDATES

This item was taken out of order. Mr. Mitrovich stated work with San Bernardino County Transportation Authority (SBCTA) is moving forward on the mitigation lands and defining the conservation easement. We anticipate we will have it ready when we meet again in January. Mr. Cosgrove added in coordination with CDFW, we have retained Black Gold Surveying to do easement encumbrances mapping. We expect to see the work within a week and with this mapping, we believe we have everything to finalize the packet CDFW requires. Mr. Mitrovich stated we are also looking for available acreage through the projects in order to trade conservation easements in support of mitigation needs for the Blossom Trails project and Greenspot Crossings. The most significant work, in terms of size, is being completed on the 295 acres committed to Valley District under the River HCP which also falls within the community mitigation program. These are all easements the Trust will hold in time. SBCTA's project will generate the first conservation easement held by the Trust. President Raley requested staff re-review the Trust's use of California Credit Union and compare to other credit unions to make sure of the safest keeping of Trust funds. Director Buller added that IERCD recently did an evaluation of credit unions and banks, looking for those in the industry of green, and suggested reaching out to Mandy Parkes at IERCD for their results. This item was received and filed.

8. GRANT APPLICATION UPDATES

Mr. Mitrovich stated the BLM application for a fuels management grant that was discussed at our last meeting, has since been secured and we were awarded \$819,500 in September of federal funds to be used over the next five years. These funds provide the resources to manage fuels within our wash, consistent with the overarching Wash Plan HCP, in collaboration with BLM. We are working with two subcontractors: Origin Biological for biological monitoring and Nakae & Associates to do the restoration component of that work. The draft contracts were sent to all Board members by email this past weekend for review. With approval, we have the ability to move out this Fall/Winter with that work. There are additional funds that do come to the Trust to cover both my time in support of the project and Ms. Quiroga's administrative time as well. This work is done in partnership with the District so there are matching funds that are made available as we address the unhoused population, human activities and look to minimize ignition risk. This grant was in support of the California Fuels Management and Community Fire Assistance Program specific to the Investing in America Act. Because we were unable to get these contracts finalized for this meeting, the recommendation is to review and consider approval at another meeting date. We are looking at another date next week so we can move forward with the work before our next meeting in January. Mr. Cosgrove stated there is significant overlap in the activities that we are already required to do fuel and habitat management so with these funds, the contract work will have direct fire and fuel control benefits. BLM is reviewing the contracts but the contracts have to be on the agenda to get approval. Because the Trust does not have a policy to allow the Executive Officer the authority to approve any contracts regardless of amount without Board approval, staff will be presenting options of contract amount limits and a resolution in January requesting the Board give authority to the Executive Officer so smaller contracts can move forward ahead of meetings if necessary. Director Buller asked if they could Zoom in to the Special Meeting. Mr. Cosgrove advised there are Brown Act qualifications and request the Directors be in person to vote. The special meeting was set for Tuesday, October 24th at 2 pm. Mr. Mitrovich added the grant application was very well received. There was interest by Congressman Aguilar's office, the Director of BLM, the State Director as well as the Secretary of the Interior to see the Trust receive the award as well as see the awarding of the BLM and District land exchange. Unfortunately the event was postponed so we appreciate the Board making themselves available. This item was received and filed.

9. ADJOURN MEETING –3:02 pm.

Action: A motion was made by Vice President Longville and seconded by Director Buller to adjourn the meeting. The next Board of Director's meeting will be held on Wednesday, January 17, 2023, at 2:00 pm at 1630 W. Redlands Blvd., Redlands, CA, via teleconference and Zoom. The motion carried 3-0 -1 with all Directors present voting in the affirmative.

President Raley: Yes

Vice President Longville: Yes

Director Kielhold: Absent

Director Buller: Yes

Milan Mitrovich
Executive Officer/Secretary

**MINUTES FOR SPECIAL MEETING OF BOARD OF DIRECTORS
OF
SAN BERNARDINO VALLEY CONSERVATION TRUST,
a California Nonprofit Public Benefit Corporation**

Tuesday, October 24, 2023 – 2:00 pm

CALL TO ORDER –2:31 p.m.

ROLL CALL

David E. Raley, SBV Water Conservation District (District)
John Longville, SBV Water Conservation District (Arrival 2:22 pm)
Paul Kielhold, SBV Municipal Water District (Absent)
Brad Buller, IE Resource Conservation District (Arrival 2:30 pm)

Milan Mitrovich, SBV Water Conservation District
Angie Quiroga, SBV Water Conservation District
David Cosgrove, SBV Water Conservation District
Wen Huang, SBV Water Conservation District (remote)
Cindy Saks, SBV Municipal Water District (remote)

1. PUBLIC PARTICIPATION -None
2. CONSIDER FUEL MANAGEMENT SERVICES CONTRACT

Vice President Longville requested due to familiarity of the Board with both contracts on today's agenda to forgo the presentation and go straight to a vote unless there is a question from anyone. The Board agreed and didn't have any questions. David Cosgrove extended the request for any questions to the Fuel Management Services Contract with Nakae & Associates, Inc. that is up for consideration by the Conservation Trust's Board to those joining remotely. There were no questions or comments.

Action: Motion was made by President Longville and seconded by Director Buller to authorize a Contract Service Agreement for Professional Services with Nakae & Associates, Inc. The motion carried 3-0-1 with all members present voting in the affirmative.

President Raley: Yes
Vice President Longville: Yes
Director Kielhold: Absent
Director Buller: Yes

3. CONSIDER FUEL MANAGEMENT BIOLOGICAL SERVICES CONTRACT

Vice President Longville again requested to forgo the presentation and go straight to a vote if there are no questions or comments. The Board had no questions or comments. David Cosgrove extended the request for any questions to the Fuel Management Biological Services

Contract with Origin Biological that is up for consideration by the Conservation Trust's Board to those joining remotely. There were no questions or comments.

Action: Motion was made by President Longville and seconded by Director Buller to authorize a Contract Service Agreement for Professional Services with Origin Biological. The motion carried 3-0-1 with all members present voting in the affirmative.

President Raley: Yes
Vice President Longville: Yes
Director Kielhold: Absent
Director Buller: Yes

4. ADJOURN MEETING –2:38 pm.

Action: A motion was made by Vice President Longville and seconded by Director Buller to adjourn the meeting. The next Board of Director's meeting will be held on Wednesday, January 17, 2024, at 2:00 pm at 1630 W. Redlands Blvd., Redlands, CA, via teleconference and Zoom. The motion carried 3-0-1 with all Directors present voting in the affirmative.

President Raley: Yes
Vice President Longville: Yes
Director Kielhold: Absent
Director Buller: Yes

Milan Mitrovich
Executive Officer/Secretary

San Bernardino Valley Conservation Trust

Unaudited Financial Status as of December 31, 2023

Cash Status-California Credit Union		As of 07/1/23	As of 12/31/23
	7/1/2022 Beginning Balance	866,898.73	
Revenue:	9/7/2023 S-P Deerfield, LLC-Mitigation deposit		5,000.00
	9/18/2023 TREH Partners XV, LLC Mitigation Deposit		10,000.00
Total Revenue:			15,000.00
Expenses:	9/26/2023 SBVWCD-Reimbursement for WP Implementation Expenses*		(351,153.64)
	9/26/2023 Rogers, Anderson, Malody & Scott-Audit Services Progress Pymt		(2,000.00)
	9/30/2023 SBVWCD-Earned Mitigation Credits thru 09/30/23		(8,387.12)
	11/30/2023 Rogers, Anderson, Malody & Scott-Audit Services		(2,275.00)
Total Expenses:			(363,815.76)
*For FY 22-23		ENDING BALANCE	518,082.97
Investments-US Bank		As of 07/1/23	As of 09/30/23
	7/1/2023 Beginning Balance	3,214,016.05	
Revenue:	9/30/2023 Accrued Income, Interest, Dividends (Jul-Sept)		8,965.65
	9/30/2023 Unrealized Gain/Loss (Jul-Sept)		(131,029.82)
	9/30/2023 Realized Gain/Loss (Jul-Sept)		(731.86)
	12/31/2023 Accrued Income, Interest, Dividends (Oct-Dec)		41,952.46
	12/31/2023 Unrealized Gain/Loss (Oct-Dec)		267,234.50
	12/31/2023 Realized Gain/Loss (Oct-Dec)		851.11
Total Revenue:			187,242.04
Expenses:	7/26/2023 US Bank Administrative Trust Fees		(875.00)
	9/1/2023 PFM Advisory & Management Fees(May-Jul)		(2,188.98)
	10/31/2023 US Bank Administrative Trust Fees		(875.00)
	12/15/2023 PFM Advisory & Management Fees(Aug-Oct)		(1,889.64)
Total Expenses:			(5,828.62)
		ENDING BALANCE	3,395,429.47
Accounts Receivable			
	Cemex/Robertson's-Wash Plan MOU		7,843,563.00
		BALANCE	7,843,563.00
Liabilities			
	Balance at 06/30/23	2,543,620.08	
	9/26/2023 less reimbursement payment at 06/30/23**	(351,153.64)	
	Jul-Sept 2023 Habitat Mgmt/Implementation Costs	106,085.13	
	Oct-Dec 2023 Habitat Mgmt/Implementation Costs	102,989.33	
	Due to SBVWCD-Wash Plan (includes \$20,065.29 State Permitting fees)		2,401,540.90
	Due to SBVWCD-Earned Mitigation Credits		11,637.23
	Unearned Mitigation Credit Balance (see back)		168,129.56
		BALANCE	2,581,307.69

San Bernardino Valley Conservation Trust

Mitigation Agreement Balances as of December 31, 2023

Deposit Agreements	Date	Project	Deposits	Staff Time Expenses	Biologist Fees	Legal Fees	Mitigation Credit Balance
1. S-P Deerfield	2/28/2018	Blossom Trails	\$ 46,763.59	\$ 41,063.19	\$ 3,131.20	\$ 1,650.00	\$ 919.20
2. Highland-Fifth Orange Partners	10/17/2018	Woodbridge	\$ 10,000.00	\$ 4,907.39	\$ -	\$ 400.00	\$ 4,692.61
3. SB County Transportation Authority	3/17/2020	SR 210 Lane Addition	\$ 435,255.03	\$ 67,954.13	\$ 168,052.29	\$ 46,730.86	\$ 152,517.75
3. TREH XV, LLC	9/19/2023	Greenspot Crossings	\$ 10,000.00	\$ -	\$ -	\$ -	\$ 10,000.00
Total			\$ 492,018.62	\$ 113,924.71	\$ 171,183.49	\$ 48,780.86	\$ 168,129.56
Reimbursement Due to SBVWCD				\$ 11,637.23			

PROMISSORY NOTE

\$(INSERT PRINCIPAL AMOUNT HERE)

January __, 2024
Redlands, California

FOR VALUE RECEIVED, the undersigned, SAN BERNARDINO VALLEY CONSERVATION TRUST, a California nonprofit corporation ("Borrower"), having an address of 1630 West Redlands Boulevard, Suite A, Redlands, Ca 92373 ~~p~~Promises to pay to the order of the SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT, a political subdivision of the State of California and a water conservation district duly formed and existing under sections 74000 et seq. of the California Water Code ("Lender"), located at 1630 West Redlands Boulevard, Suite A, Redlands, Ca 92373 (or at such other address as Lender may later designate to Borrower in writing), in lawful money of the United States of America, the principal amount of ____ Million and No/100 Dollars (\$_____) ("Principal Balance"). Such amount has been forwarded as the value of contractual and in-kind services, and remittances to Borrower under that certain Contract for the Provision of Administrative Services dated October 5, 2017 ("Loan Agreement"). The detail of the amounts of the Principal Balance and the time over which it has accrued is attached hereto as Attachment "A."

1. Disbursements. The proceeds of the loan represented by this Note represent the value of services, both in-kind and contractual, provisioned by the Lender on behalf of the Borrower pursuant to the terms of the Loan Agreement. Additional provision of services, or remittance of amounts collected by Lender and forwarded to Borrower under the Loan Agreement, may occur and will, in the event they do occur, add to the Principal Balance. The amounts of such additions to the Principal Balance shall be invoiced by Lender to Borrower on or before February 28 each calendar year. Such invoices will indicate the total hours expended, hourly rates for all personnel performing services, amount paid for contracted services, any amounts collected by Lender and remitted to Borrower under the Loan Agreement for the preceding calendar year, the aggregate amount of additional Principal Balance accrued during the one year preceding the date of the invoice, and the total Principal Balance due. In the event Borrower disputes any amounts in the invoice, or the total Principal Balance due, it shall advise Lender, in writing, within thirty (30) days of the date of the invoice. In the event of any such dispute, the parties shall meet and confer in good faith in an attempt to resolve any disputes, and should this fail to result in agreement, the matter shall be submitted to binding arbitration, with a neutral arbitrator mutually selected by the parties, pursuant to the procedures set out in paragraph 17 below.

2. Interest Rate. Interest shall not accrue on the outstanding Principal Balance due under this Note, provided that all amounts due under this Note are paid in full on or before June 30, 2033. On and after that date, any outstanding balances due under the Note shall accrue interest at a rate of ten percent (10%) per annum (the "Interest Rate") and shall be calculated based on a 360-day year based on the actual number days elapsed. Interest due under this Note shall not be compounded.

3. Payments; Loan Fee.

(a) Principal Payments Due.. Commencing on June 30, 2024, and continuing on the thirtieth day of June of each calendar year thereafter through and including the June 30, 2033 (the

“Maturity Date”), Borrower shall pay to Lender an amount equal to no less than one-tenth (1/10th) of the outstanding Principal Balance. Such payments shall continue until the earlier of the date the Note is paid in full, or until the Maturity Date, in which case all amounts of the Outstanding Principal Balance shall be paid by Borrower to Lender.

(b) Prepayment. Borrower may prepay all or any portion of the amounts due under this Note at any time.

(c) Balloon Payment. UPON THE MATURITY DATE, THIS NOTE WILL REQUIRE A BALLOON PAYMENT OF THE ENTIRE OUTSTANDING PRINCIPAL BALANCE DUE UNDER THIS NOTE.

4. Maturity Date. The outstanding principal balance of this Note, together with all accrued and unpaid interest and other charges due hereunder shall be due and payable in full on or before June 30, 2033 (the “Maturity Date”). Lender may agree to extend the Maturity Date in its sole discretion. Upon the consent of Lender to extend the Maturity Date, in addition to any other reasonable requests of Lender, Borrower shall pay to Lender an extension fee equal to one and a quarter percent (1.25%) of the outstanding principal under this Note for each three (3) month period the loan remains outstanding past the original Maturity Date. Although fully earned as of the first calendar day for every such three (3) month period, such extension fees shall not be due and payable by Borrower to Lender until the earlier of the extended Maturity Date or the date the Loan comes due and payable in full, whether by acceleration or otherwise (or when actually repaid).

5. Remedies. Upon the occurrence of any default hereunder the Lender may exercise all rights and remedies provided for herein and at law or equity, including, but not limited to, the right to immediate payment in full of this Note and any and all rights of an unsecured creditor under the Uniform Commercial Code as from time to time in effect in the State of California. Upon the occurrence of a default hereunder, and without notice or demand, all amounts owed under this Note, including all accrued but unpaid interest, shall thereafter bear interest at a rate of ten percent (10%) per annum until all defaults are cured.

6. No Demand Required. Borrower waives presentment, demand, notice, protest, and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note.

7. No Offset. Borrower will pay to Lender all sums owing under this Note without deduction, offset or counterclaim of any kind whatsoever. Borrower hereby expressly waives and releases all rights Borrower has or may hereafter have (at law, equity or otherwise), to claim or in any way assert any right or defense against Lender that is based on deduction, offset and/or counterclaim.

8. Severability. Should any provision of this Note prove to be invalid, unenforceable or illegal, such invalidity, unenforceability or illegality shall in no way affect, impair or invalidate any other provision hereof, and such remaining provisions shall remain in full force and effect.

9. California Law. This Note and the parties’ rights and duties hereunder shall be governed by the laws of the State of California, without regard to conflict of law principles.

10. Attorneys’ Fees. It is expressly agreed that if this Note is referred to an attorney or if suit is brought to collect under this Note or any part hereof or to enforce or protect any rights conferred

upon Lender by this Note or any other document evidencing, securing or guarantying this Note, then Borrower shall pay all costs, including, without limitation, attorneys' fees and expenses, court costs, experts fees and expenses, accountants fees and expenses and administrative costs, incurred by Lender.

11. Successors And Assigns. This Note inures to and binds the heirs, legal representatives, successors and assigns of Lender and Borrower. Borrower may not assign its rights or delegate its obligation or duties under this Note.

12. Amendment. This Note may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on the part of Borrower or Lender, but only by an agreement in writing signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought.

13. Time Of The Essence. Time is of the essence for all provisions herein for which time is a factor.

14. Usury. If Lender shall ever receive as interest an amount that exceeds the highest lawful rate, the amount that would be excessive interest shall be applied to reduce the unpaid principal balance under this Note and not to pay interest, or if such excessive interest exceeds the unpaid principal balance under this Note, such excess shall be refunded to Borrower.

15. Non-Consumer Loan; Business Relationship. The purpose of the loan that is represented by this Note is (and will be at all times) for a business purpose and not for any personal, family, or household purpose. Borrower hereby agrees and acknowledges that Borrower and Lender have a preexisting business relationship concerning certain real estate matters beyond that of mere "lender" and "borrower."

16. Notices. All notices to Lender or Borrower shall be given to the addresses set forth above or such addresses as the Lender and Borrower may hereinafter designate in writing.

17. Arbitration of Disputes.

(a) The parties shall attempt to resolve any disputes arising out of or in relation to this Note by discussing the dispute in good faith. To the extent that they cannot be resolved by mutual consultation, any and all disputes arising out of or in relation to this Note, including, without limitation, this arbitration clause, shall be solely and finally settled by binding arbitration by JAMS in Riverside, California (or such other location as the parties shall agree) administered by and in accordance with JAMS' Streamlined Arbitration Rules and Procedures (or substantially equivalent rules and procedures then in effect) to the extent that such rule and procedure are not inconsistent with this section including, without limitation, matters relating to enforceability, performance or remedies for breach. However, notwithstanding the foregoing, (1) the parties shall not be prohibited from seeking interim, provisional remedies in the Superior Court of San Bernardino County (including an action for a temporary or preliminary injunction), and (2) this provision shall not restrict or delay Lender from pursuing any of its rights against any and all security that may hereinafter be given for the Loan by Borrower or any other party upon an Event of Default.

(b) By written notice to the other party, either party may demand that a disputed matter be submitted to arbitration. In the demand notice, the party shall specify the nature of

the dispute. Within thirty (30) days after the delivery of such notice, Lender and Borrower shall agree upon an arbitrator from the list of retired judges and justices at JAMS. If the parties fail to agree on an arbitrator within such thirty (30) day period, then the parties shall direct JAMS to provide a list of three (3) prospective arbitrators knowledgeable in the field that is the subject of the dispute. Within ten (10) days after the delivery of such list, each of Lender and Borrower may strike one (1) name from the list, and the remaining panelist shall serve as the designated arbitrator. If a party shall fail to strike a name from the list within such ten (10) day period, then the other party shall select the designated arbitrator from the remaining two (2) names. If the parties strike the same name from the list, then JAMS shall provide the name of an additional prospective arbitrator, and the procedure set forth in the preceding two (2) sentences shall be repeated until a single arbitrator has been selected. The arbitrator shall permit such discovery as the arbitrator deems appropriate under the circumstances and may admit or exclude evidence in the arbitrator's sole discretion.

(c) Judgment upon the arbitral award may be entered in any court having jurisdiction over the parties or their assets. No party shall take any dispute or claim subject to arbitration hereunder to any court until an arbitration decision has been made, except that any party shall have the right to institute any legal action seeking provisional relief pending final adjudication by arbitration.

(d) The arbitrator shall apportion to each party all costs (including attorneys' fees) incurred in conducting the arbitration in accordance with what the arbitrator deems just and equitable under the circumstances.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF LAWS OF CALIFORNIA OR THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION TO NEUTRAL ARBITRATION.

Lender: _____

Borrower: _____

[signatures on following page]

This Note is executed and delivered as of the date first written above.

BORROWER: SAN BERNARDINO VALLEY CONSERVATION TRUST,
a California Nonprofit Corporation

By: _____
Name: David Raley
Title: Board President

LENDER: SAN BERNARDINO VALLEY WATER CONSERVATION
DISTRICT
a California Water Conservation District limited liability

By: _____
Melody McDonald
Board President