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**INSTALLMENT SALE AGREEMENT**

**Dated as of August 1, 2020**

**by and between**

**RIVER ISLANDS PUBLIC FINANCING AUTHORITY, as Seller**

**and the**

**LATHROP IRRIGATION DISTRICT, as Purchaser**

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River Islands Public Financing Authority  
Lathrop Irrigation District Electric Revenue Bonds, Series 2020

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## INSTALLMENT SALE AGREEMENT

THIS INSTALLMENT SALE AGREEMENT, dated as of August 1, 2020, is by and between the RIVER ISLANDS PUBLIC FINANCING AUTHORITY, a joint powers entity duly organized and existing under the laws of the State of California (the "Authority"), and the LATHROP IRRIGATION DISTRICT, a California irrigation district organized and existing under the provisions of the California Irrigation District Law, Division 11 of the California Water Code (the "District"),

### WITNESSETH:

WHEREAS, the Authority was formed for the purpose, among others, of issuing its bonds to be used to provide financial assistance to the District;

WHEREAS, the District has determined that, due to prevailing financial market conditions and for other reasons, it is in the best interests of the District to (a) refinance certain outstanding obligations of the District incurred by the District to finance the costs of the acquisition and construction of certain additions, betterments, extensions and improvements to the electric system owned and operated by the District (the "System"), and (b) finance the costs of the acquisition and construction of certain new additions, betterments, extensions and improvements to the System;

WHEREAS, for the purpose of raising funds necessary to provide such financial assistance to the District, the Authority proposes to authorize the issuance of its revenue bonds under the provisions of Article 4 (commencing with section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Act"), designated as the River Islands Public Financing Authority, Lathrop Irrigation District Electric Revenue Bonds, Series 2020, all pursuant to and secured by this Indenture;

WHEREAS, in order to provide for the repayment of the Bonds, the District will sell the System to the Authority under an acquisition agreement, dated as of August 1, 2020 (the "Acquisition Agreement"), and the Authority will sell the System back to the District pursuant to an installment sale agreement, dated as of August 1, 2020 (the "Installment Sale Agreement"), under which the District will agree to make installment payments to the Authority payable from the net revenues of the System which will be calculated to be sufficient, in time and amount, to enable the Authority to pay the principal of and interest on the Bonds when due and payable; and

WHEREAS, the Authority and the District have duly authorized the execution and delivery of this Installment Sale Agreement;

NOW, THEREFORE, for and in consideration of the premises and the material covenants hereinafter contained, the parties hereto hereby formally covenant, agree and bind themselves as follows:

ARTICLE I  
DEFINITIONS

Section 1.1. Definitions. Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms in this Installment Sale Agreement shall have the respective meanings specified in the Indenture.

## ARTICLE II

### COVENANTS AND REPRESENTATIONS

Section 2.1. Covenants and Representations of the District. The District makes the following covenants and representations to the Authority that as of the Closing Date:

(a) The District is an irrigation district duly organized and validly existing under the laws of the State, has full legal right, power and authority to enter into this Installment Sale Agreement and to carry out and consummate all transactions contemplated hereby, and by proper action has duly authorized the execution and delivery of this Installment Sale Agreement.

(b) The representatives of the District executing this Installment Sale Agreement are fully authorized to execute the same.

(c) The Acquisition Agreement and this Installment Sale Agreement have been duly authorized, executed and delivered by the District, and constitute the legal, valid and binding agreements of the District, enforceable against the District in accordance with their respective terms.

(d) The execution and delivery of the Acquisition Agreement and this Installment Sale Agreement, the consummation of the transactions herein contemplated and the fulfillment of or compliance with the terms and conditions hereof, will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the District is a party or by which it, the System is otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the District, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Acquisition Agreement and this Installment Sale Agreement, or the financial condition, assets, improvements or operations of the System.

(e) No consent or approval of any trustee or holder of any indebtedness of the District or of the voters of the District, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority, is necessary in connection with the execution and delivery of the Acquisition Agreement and this Installment Sale Agreement or the consummation of any transaction herein contemplated, except as have been obtained or made and as are in full force and effect.

(f) There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or threatened against or affecting the District or the System which, if determined adversely to the District or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of the Acquisition Agreement and this Installment Sale Agreement or upon the financial condition or operation of the System, and the District is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by

the Acquisition Agreement and this Installment Sale Agreement or the financial conditions or operations of the System.

(g) The District has heretofore established the Electric Fund into which the District deposits and will continue to deposit all Gross Revenues, and which the District will maintain throughout the Term of this Installment Sale Agreement.

(h) There are no outstanding bonds, notes, loans, leases, installment sale agreements or other obligations which have any security interest in or claim upon the Net Revenues, which security interest or claim is superior to or on a parity with the Installment Payments.

Section 2.2. Covenants and Representations of the Authority. The Authority makes the following covenants and representations to the District that as of the Closing Date:

(a) The Authority is a joint powers entity, duly organized and existing under the laws of the State. The Authority has the power to enter into the transactions contemplated by the Indenture, the Acquisition Agreement and this Installment Sale Agreement and to carry out its obligations hereunder. By proper action of its governing body, the Authority has been duly authorized to execute, deliver and duly perform the Indenture, the Acquisition Agreement and this Installment Sale Agreement.

(b) To refinance the Project, fund the Reserve Account and pay the Costs of Issuance, the Authority will issue its Bonds, which will mature, bear interest and be subject to redemption as set forth in the Indenture.

(c) The Bonds will be issued under and secured by the Indenture, and pursuant thereto, certain of the Authority's interests in this Installment Sale Agreement have been assigned to the Trustee as security for payment of the principal of, premium, if any, and interest on the Bonds.

(d) The Authority is not in default under any of the provisions of the laws of the State, which default would affect its existence or its powers referred to in subsection (a) of this Section 2.2.

## ARTICLE III

### ISSUANCE OF BONDS

Section 3.1. The Bonds. The Authority has authorized the issuance of the Bonds pursuant to the Indenture in the aggregate principal amount of \_\_\_\_\_ dollars (\$\_\_\_\_\_). The Authority agrees that the proceeds of sale of the Bonds shall be paid to the Trustee on the Closing Date for deposit pursuant to the terms and conditions of the Indenture. The District hereby approves the Indenture, the assignment to the Trustee of the rights of the Authority assigned under and pursuant to the Indenture, and the issuance of the Bonds by the Authority under and pursuant to the Indenture.

Section 3.2. Plans and Specifications for the Project. Before any payment is made for the Project or any component thereof from amounts on deposit in the Project Fund, the District shall have filed with the Authority detailed Plans and Specifications relating thereto. The District may from time to time file amendments to such Plans and Specifications with the Authority and may thereby change or modify the description of the Project or any component thereof.

Section 3.3. Acquisition and Construction of the Project. The Authority hereby agrees with due diligence to supervise and provide for, or cause to be supervised and provided, for the Acquisition and Construction of the Project in accordance with Plans and Specifications, purchase orders, construction contracts and other documents relating thereto and approved by the District pursuant to all applicable requirements of law. Direct payment of the Project Costs shall be made from amounts on deposit in the Project Fund, pursuant to Section 3.04 of the Indenture. All contracts for, and all work relating to, the Acquisition and Construction of the Project shall be subject to all applicable provisions of law relating to the acquisition and construction of public works by the District. The Authority expects that the Acquisition and Construction of the Project will be completed on or before August 26, 2023; *provided, however*, that the failure to complete the Project by the estimated Completion Date thereof shall not constitute an Event of Default hereunder or a grounds for termination hereof, nor shall such failure result in the diminution, abatement or extinguishment of the obligations of the District hereunder to pay the Installment Payments allocable to the Project.

The District shall have the right from time to time in its sole discretion to amend the description of the Project to be financed and sold by the Authority hereunder.

Upon the completion of the Acquisition and Construction of the Project, the amounts, if any, on deposit in the Project Fund shall be transferred by the District to the Trustee for deposit in the Bond Fund and the District shall close the Project Fund.

Section 3.4. Grant of Easements. The District hereby grants to the Authority all necessary easements, rights of way and rights of access in and to all real property or interests therein now or hereafter acquired and owned by the District, as may be necessary or convenient to enable the Authority to acquire, construct and install the Project thereon or thereabouts. The District covenants that it will execute, deliver and record any and all additional documents as may be required to be executed, delivered and recorded to establish such easements, rights of way and rights of access.

Section 3.5. Appointment of District as Agent of Authority. The Authority hereby appoints the District as its agent to carry out all phases of the Acquisition and Construction of the Project pursuant to and in accordance with the provisions hereof. The District hereby accepts such appointment and assumes all rights, liabilities, duties and responsibilities of the Authority

regarding the Acquisition and Construction of the Project. The Authority, or the District as agent of the Authority hereunder, shall enter into, administer and enforce all purchase orders or other contracts relating to the Acquisition and Construction of the Project. All contracts for, and all work relating to, the Acquisition and Construction of the Project shall be subject to all applicable provisions of law relating to the acquisition, construction, improvement, and equipping of like projects and property by joint powers authorities and by municipal corporations.

## ARTICLE IV

### SALE OF PROJECT; INSTALLMENT PAYMENTS

Section 4.1. Sale. The Authority hereby agrees to sell the System to the District, and the District hereby agrees to purchase the System from the Authority, upon the terms and conditions set forth in this Installment Sale Agreement.

Section 4.2. Term. The Term of this Installment Sale Agreement shall commence on the Closing Date and shall end on the date on which the District shall have paid all of the Installment Payments and all other amounts due and payable hereunder. The provisions of this Section 4.2 are subject in all respects to any other provisions of this Installment Sale Agreement relating to the termination hereof with respect to the System or any portion thereof.

Section 4.3. Title. Title to the System shall be deemed conveyed to and vested in the District. The Authority and the District shall execute, deliver and cause to be recorded any and all documents necessary to convey such title to the District.

#### Section 4.4. Installment Payments.

(a) *Obligation to Pay*. The District agrees to pay to the Authority, its successors and assigns, but solely from the Net Revenues, as the purchase price of the System, the Installment Payments (denominated into components of principal and interest) in the respective amounts specified in Exhibit A hereto to be due and payable on the respective Installment Payment Dates specified therein. The Installment Payments shall be paid by the District to the Trustee, as assignee of the Authority pursuant to the Indenture, in the amounts and at the times as set forth in Section 4.5(b).

(b) *Effect of Prepayment*. In the event that the District prepays all remaining Installment Payments in full pursuant to Article IX, the District's obligations under this Installment Sale Agreement shall thereupon cease and terminate, including but not limited to the District's obligation to pay Installment Payments therefor under this Section 4.4; *provided, however*, that the District's obligations to compensate and indemnify the Trustee pursuant to Sections 4.9 and 6.3 shall survive such prepayment. In the event that the District prepays the Installment Payments in part but not in whole pursuant to Section 9.2, the principal component of each succeeding Installment Payment shall be reduced as provided in such Sections, and the interest component of each remaining Installment Payment shall be reduced by the aggregate corresponding amount of interest which would otherwise be payable on the Bonds thereby redeemed pursuant to the applicable provisions of Section 4.01 of the Indenture.

(c) *Rate on Overdue Payments*. In the event the District should fail to make any of the payments required in this Section 4.4 and Section 4.10, the payment in default shall continue as an obligation of the District until the amount in default shall have been fully paid, and the District agrees to pay the same with interest thereon, from the date of default to the date of payment, at the rate of ten percent (10%) per annum.

(d) *Assignment*. The District understands and agrees that all Installment Payments have been assigned by the Authority to the Trustee in trust, pursuant to the Indenture, for the benefit of the Owners of the Bonds, and the District hereby assents to such assignment. The Authority hereby directs the District, and the District hereby agrees, to pay to the Trustee at its Trust Office, all amounts payable by the District pursuant to this Section 4.4 and all amounts payable by the District pursuant to Article IX.

#### Section 4.5. Pledge and Application of Net Revenues.

(a) *Pledge of Net Revenues.* The District hereby agrees that the payment of the Installment Payments and Additional Payments shall be secured by a pledge, charge and first and prior lien upon Net Revenues, and Net Revenues sufficient to pay the Installment Payments as they become due and payable are hereby charged, assigned, transferred and set over by the District to the Authority and its assigns for the purpose of securing payment of the Installment Payments and Additional Payments. The Net Revenues shall constitute a trust fund for the security and payment of the Installment Payments and Additional Payments.

(b) *Deposit to and Transfer from Electric Fund.* All of the Gross Revenues shall be deposited by the District immediately upon receipt in the Electric Fund.

The District shall withdraw from the Electric Fund such amounts at such times as shall be required to pay all Maintenance and Operation Costs as they come due and payable.

The District covenants and agrees that all Gross Revenues will be held by the District in the Electric Fund in trust for the benefit of the Trustee (as assignee of the rights of the Authority hereunder), the Owners, the owners of any Parity Obligations and the owners of any Obligations.

On or before each Installment Payment Date, the District shall withdraw from the Electric Fund and transfer to the Trustee, for deposit into the Bond Fund, amounts which, together with the balance then on deposit in the Bond Fund (other than amounts resulting from the prepayment of the Installment Payments pursuant to Article IX and other than amounts required for payment of the principal or interest with respect to any Bonds which have matured or been called for redemption but which have not been presented for payment), is equal to the aggregate amount of the Installment Payment coming due and payable on the next succeeding Interest Payment Date.

In addition, the District shall withdraw from the Electric Fund such amounts at such times as shall be required to pay (i) the principal of and interest on any Parity Obligations and otherwise comply with the provisions of the instruments authorizing the issuance of any Parity Obligations; and (ii) pay all other amounts when and as due and payable hereunder.

(c) *Release from Lien.* Following the transfer described in paragraph (b) of this Section 4.5 with respect to the August 1 Interest Payment Date, Net Revenues in excess of amounts required for the payment of Installment Payments and any Parity Obligations in that Fiscal Year shall be released from the lien of this Installment Sale Agreement and shall be available for any lawful purpose of the District.

#### Section 4.6. Rates, Fees and Charges.

(a) The District will, at all times while any of the Installment Payments, any Parity Obligations and any Obligations remain Outstanding, fix, prescribe and collect rates, fees and charges for the System services for each Fiscal Year so as to yield Gross Revenues at least sufficient, after making reasonable allowances for contingencies and errors in the estimates, to pay the following amounts during such Fiscal Year in the order below set forth:

(i) All current Maintenance and Operation Costs.

(ii) The Installment Payments and all payments required with respect to the any Parity Obligations.

(iii) Payments required with respect to the any Obligations.

(iv) All payments to meet any other obligations of the District which are charges, liens or encumbrances upon, or payable from, the Net Revenues.

(v) Any other lawful purposes of the District, including, but not limited to, deposits to the Rate Stabilization Fund in accordance Section 4.9.

(b) In addition, the District shall fix, prescribe and collect rates, fees and charges for the System services during each Fiscal Year which are sufficient to yield Net Revenues at least equal to one hundred twenty-five percent (125%) of the amounts payable under the preceding paragraphs (a)(ii) and (a)(iii) above in such Fiscal Year.

Section 4.7. Limitations on Future Obligations Secured by Net Revenues.

(a) *No Obligations Superior to Installment Payments.* In order to protect further the availability of the Net Revenues and the security for the Installment Payments and any Parity Obligations, the District hereby agrees that the District shall not, so long as any Certificates are outstanding, issue or incur any obligations payable from Gross Revenues or Net Revenues superior to the Installment Payments or such Parity Obligations.

(b) *Parity Obligations.* The District further covenants that, except for obligations issued or incurred to prepay the Installment Payments in full pursuant to Section 10.02 hereof, the District shall not issue or incur any Parity Obligations unless:

(i) The District is not in default under the terms of this Installment Sale Agreement;

(ii) Net Revenues, calculated on sound accounting principles, as shown by the books of the District for the latest Fiscal Year or any more recent twelve (12) month period selected by the District ending not more than sixty (60) days prior to the adoption of the resolution pursuant to which instrument such Parity Obligations is issued or incurred, as shown by the books of the District, plus, at the option of the District, the additional allowance described below, shall have amounted to at least 1.25 times the sum of the maximum Installment Payments coming due and payable in any future Fiscal Year and the maximum annual debt service on all Parity Obligations outstanding immediately subsequent to the incurring of such additional obligations.

Either or both of the following items may be added to such Net Revenues for the purpose of applying the restriction contained in this subsection (b)(ii):

(A) An allowance for revenues from any additions to or improvements or extensions of the Enterprise to be constructed with the proceeds of such additional obligations, and also for net revenues from any such additions, improvements or extensions which have been from moneys from any source but which, during all or any part of such Fiscal Year, were not in service, all in an amount equal to 70% of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period following closing of the proposed Parity Obligations, all as shown by the certificate or opinion of a qualified independent consultant employed by the Dis-

trict, may be added to such Net Revenues for the purpose of applying the restriction contained in this subsection (b)(ii).

(B) An allowance for earnings arising from any increase in the charges made for service from the Enterprise which has become effective prior to the incurring of such additional obligations but which, during all or any part of such Fiscal Year, was not in effect, in an amount equal to 100% of the amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year and any period prior to the incurring of such additional obligations, as shown by the certificate or opinion of a qualified independent engineer employed by the District.

(iii) A reserve fund may, but shall not be required to be, funded for such Parity Obligations.

(iv) Interest with respect to such Parity Obligations shall be paid on the Installment Payment Dates.

(v) Principal with respect to such Parity Obligations shall be paid on August 1.

(c) *Subordinate Obligations.* The District further covenants that the District shall not issue or incur any Subordinate Obligations unless:

(i) Net Revenues, calculated on sound accounting principles, as shown by the books of the District for the latest Fiscal Year or any more recent twelve (12) month period selected by the District ending not more than sixty (60) days prior to the adoption of the resolution pursuant to which instrument such Subordinate Obligations is issued or incurred, as shown by the books of the District shall, after deducting all amounts required for the payment of Installment Payments and any Parity Obligations, have amounted to at least 1.00 times the sum of the maximum annual debt service on all Subordinate Obligations outstanding immediately subsequent to the incurring of such additional obligations. An allowance for earnings arising from any increase in the charges made for service from the Enterprise which has become effective prior to the incurring of such additional obligations but which, during all or any part of such Fiscal Year, was not in effect, may be added in an amount equal to 100% of the amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year and any period prior to the incurring of such additional obligations, as shown by the certificate or opinion of a qualified independent engineer employed by the District.

(ii) Interest with respect to such Subordinate Obligations shall be paid fifteen dates after the Interest Payment Dates.

(iii) Principal with respect to such Subordinate Obligations shall be paid on fifteen days after each August 1.

(d) *Calculating Debt Service on Variable Rate Debt.* For all purposes, variable rate indebtedness shall be assumed to bear interest at the highest of: (i) the actual rate on the date of calculation, or if the indebtedness is not yet outstanding, the initial rate (if established and binding), (ii) if the indebtedness has been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and (iii) (A) if interest on the indebtedness is excludable from gross income under the applicable provisions of the Code, the most recently published *Bond Buyer "Revenue Bond Index"* (or comparable index if no longer

published) plus 50 basis points, or (B) if interest is not so excludable, the interest rate on direct U.S. Treasury Obligations with comparable maturities plus 50 basis points; provided, however, that for purposes of any rate covenant measuring actual debt service coverage during a test period, variable rate indebtedness shall be deemed to bear interest at the actual rate per annum applicable during the test period.

Section 4.8. Additional Payments. In addition to the Installment Payments, the District shall pay when due the following Additional Payments:

(a) Any fees and expenses incurred by the Authority in connection with or by reason of its leasehold estate in the Property as and when the same become due and payable;

(b) Any amounts due to the Trustee pursuant to Section 8.06 of the Indenture for all services rendered under the Indenture and for all reasonable expenses, charges, costs, liabilities, legal fees and other disbursements incurred in and about the performance of its powers and duties under the Indenture;

(c) Any reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Authority or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under this Installment Sale Agreement or the Indenture;

(d) Any reasonable out-of-pocket expenses of the Authority in connection with the execution and delivery of this Installment Sale Agreement or the Indenture, or in connection with the issuance of the Bonds, including any and all expenses incurred in connection with the authorization, issuance, sale and delivery of the Bonds, or incurred by the Authority in connection with any litigation which may at any time be instituted involving this Installment Sale Agreement, the Bonds, the Indenture or any of the other documents contemplated hereby or thereby, or incurred by the Authority in connection with the Continuing Disclosure Certificate, or otherwise incurred in connection with the administration hereof or thereof; and

## ARTICLE V

### MAINTENANCE, TAXES, INSURANCE AND OTHER MATTERS

Section 5.1. Maintenance, Utilities, Taxes and Assessments. Throughout the Term of this Installment Sale Agreement, all improvement, repair and maintenance of the System shall be the responsibility of the District, and the District shall pay for or otherwise arrange for the payment of all utility services supplied to the System, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, Electric and all other utility services, and shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the System resulting from ordinary wear and tear.

The District shall also pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Authority or the District affecting any System or the respective interests or estates therein; *provided, however*, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the District shall be obligated to pay only such installments as are required to be paid during the Term of this Installment Sale Agreement as and when the same become due.

The District may, at the District's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority shall notify the District that, in its opinion, by nonpayment of any such items, the interest of the Authority hereunder or under the Indenture will be materially adversely affected, in which event the District shall promptly pay such taxes, assessments or charges or provide the Authority with full security against any loss which may result from nonpayment, in form satisfactory to the Authority.

Section 5.2. Operation of System. The District covenants and agrees to operate or cause to be operated the System in an efficient and economical manner and to operate, maintain and preserve or caused to be operated, maintained and preserved the System in good repair and working order. The District covenants that, in order to fully preserve and protect the priority and security of the Bonds, the District shall pay from the Gross Revenues and discharge all lawful claims for labor, materials and supplies furnished for or in connection with the System which, if unpaid, may become a lien or charge upon the Gross Revenues or the Net Revenues prior or superior to the lien granted hereunder, or which may otherwise impair the ability of the District to pay the Installment Payments in accordance herewith.

Section 5.3. Insurance. The District shall maintain or cause to be maintained, throughout the Term of this Installment Sale Agreement, but only if and to the extent available at reasonable cost from reputable insurers, liability and casualty insurance in such amounts and against such risks as shall be appropriate for Systems of like size and with similar facilities as the System. Such insurance may be maintained as part of or in conjunction with any other insurance carried by the District and may be maintained in whole or in part in the form of self-insurance by the District or in the form of the participation by the District in a joint powers agency or other program providing pooled insurance. All amounts collected from insurance against accident to or destruction of any portion of the System shall be used to repair, rebuild or replace such damaged or destroyed portion of the System. The proceeds of liability insurance shall be applied toward the extinguishment or satisfaction of the liability with respect to which such proceeds shall have been paid.

Section 5.4. Eminent Domain. Any amounts received as awards as a result of the taking of all or any part of the System by the lawful exercise of eminent domain, at the election of the District (evidenced by a Written Certificate of the District filed with the Trustee and the Authority) shall either (a) be used for the acquisition or construction of improvements and extension of the System in replacement of the condemned portions thereof, or (b) applied as a credit against the District's obligation to make the Installment Payments and payments with respect to any Parity Obligations in accordance with written instructions of the District filed with the Trustee.

Section 5.5. Records and Accounts. The District shall keep proper books of record and accounts of the System, separate from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the System. Said books shall, upon prior request, be subject to the reasonable inspection by the Owners of not less than ten percent (10%) in aggregate principal amount of the Outstanding Bonds, or their representatives authorized in writing. The District shall cause the books and accounts of the System to be audited annually by an Independent Accountant, not more than one hundred eighty (180) days after the close of each Fiscal Year, and shall make a copy of such report available for inspection by the Bond Owners at the office of the District.

Section 5.6. Continuing Disclosure. The District hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Installment Sale Agreement, failure of the District to comply with the Continuing Disclosure Certificate shall not constitute an Event of Default hereunder; *provided, however*, that any Participating Underwriter or any Owner or beneficial owner of the Bonds may take such actions as may be necessary and appropriate to compel performance by the District of its obligations under this Section 5.6, including seeking mandate or specific performance by court order.

Section 5.7. Against Encumbrances. The District will not make any pledge of or place any lien on Gross Revenues or the moneys in the Electric Fund except as provided herein. The District may at any time, or from time to time, execute Parity Obligations as permitted herein or incur evidences of indebtedness or incur other obligations for any lawful purpose which are payable from and secured by a pledge of lien on Net Revenues on any moneys in the Electric Fund as may from time to time be deposited therein, provided that such pledge and lien shall be subordinate in all respects to the pledge of and lien thereon provided herein.

Section 5.8. Against Competitive Facilities. To the extent permitted by law, the District covenants that it will not acquire, construct, maintain or operate and will not, 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 District any System competitive with the System. Notwithstanding the foregoing, the District may permit competitive systems where it determines that provision of Electric service is either geographically, technically or economically prohibitive or where provision of such services is more readily obtained from another provider of such services.

Section 5.9. Tax Covenants.

(a) *Private Activity Bond Limitation*. The District shall assure that proceeds of the Bonds are not so used as to cause the Bonds to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.

(b) *Federal Guarantee Prohibition*. The District shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

(c) *Rebate Requirement.* The District shall take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Bonds.

(d) *No Arbitrage.* The District shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused the Bonds to be “arbitrage bonds” within the meaning of section 148 of the Code.

(e) *Maintenance of Tax-Exemption.* The District shall take all actions necessary to assure the exclusion of interest with respect to the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the Closing Date.

## ARTICLE VI

### DISCLAIMER OF WARRANTIES; ACCESS

Section 6.1. Disclaimer of Warranties. The Authority and the Trustee make no warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the District of the Clean Renewable Energy Project, or any other representation or warranty with respect to the Clean Renewable Energy Project. In no event shall the Authority or the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising out of this Installment Sale Agreement or the Indenture for the existence, furnishing, functioning or District's use of the Clean Renewable Energy Project.

Section 6.2. Access to the System. The District agrees that the Authority and the Trustee, and any duly authorized representative thereof, shall have the right at all reasonable times to enter upon and to examine and inspect the System. The District further agrees that the Authority and the Trustee, and any duly authorized representative thereof, shall have such rights of access to the System as may be reasonably necessary to cause the proper maintenance of the System in the event of failure by the District to perform its obligations hereunder.

Section 6.3. Release and Indemnification Covenants. The District shall and hereby agrees to indemnify and save the Authority and the Trustee and their respective officers, agents, successors and assigns harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of (a) the use, maintenance, condition or management of, or from any work or thing done on the System by the District, (b) any breach or default on the part of the District in the performance of any of its obligations under this Installment Sale Agreement, (c) any negligence or willful misconduct of the District or of any of its agents, contractors, servants, employees or licensees with respect to the System, (d) any act or negligence of any sublessee of the District with respect to the System, (e) the Acquisition and Construction of the Clean Renewable Energy Project or the authorization of payment of the Project Costs, (f) the performance by the Trustee of its duties and obligations under the Indenture, including any duties referred to in Section 8.12 of the Indenture, (g) the presence on, under or about, or release from, the System of any substance, material or waste which is, or which becomes, regulated or classified as hazardous or toxic under State, federal or local law, or (h) the offer, sale and issuance of the Bonds. No indemnification is made under this Section 6.3 or elsewhere in this Installment Sale Agreement for adjudicated willful misconduct or negligence by the Authority or the Trustee, or their respective officers, employees, successors or assigns. The rights of the Trustee and the obligations of the District under this Section 6.3 shall survive the termination of this Installment Sale Agreement and the resignation or removal of the Trustee.

Section 6.4. Non-Liability of Authority for System Obligations. The Authority and its successor and assigns shall have no obligation and shall incur no liabilities or debts whatsoever for the obligations, liabilities and debts of the District incurred in connection with the System.

## ARTICLE VII

### ASSIGNMENT, SALE AND AMENDMENT

Section 7.1. Assignment by the District. The obligations of the District under this Installment Sale Agreement may not be assigned by the District.

Section 7.2. Sale or Other Disposition of System. Except as provided herein, the District covenants that the System shall not be encumbered, sold, leased, pledged, any charge placed thereon, or otherwise disposed of, as a whole or substantially as a whole; *provided, however*, the District may lease the System to a related public entity that (a) assumes all liabilities of the District with respect to the System, and (b) covenants to maintain Gross Revenues sufficient to operate and maintain the System and duly provide for the punctual payment of all obligations assumed by such related public entity in connection with such lease including, but not limited to, the Installment Payments hereunder. Neither the Net Revenues nor any other funds pledged or otherwise made available to secure payment of the Installment Payments shall be mortgaged, encumbered, sold, leased, pledged, any charge placed thereon, or disposed or used except as authorized by the terms of this Installment Sale Agreement. The District shall not enter into any agreement which impairs the operation of the System or any part of it necessary to secure adequate Net Revenues to pay the Installment Payments, or which otherwise would impair the rights of the Bond Owners and the owners of any Parity Obligations with respect to the Net Revenues. If any substantial part of the System shall be sold, the payment therefor shall either (a) be used for the acquisition or construction of improvements, extensions or replacements of Project constituting part of the System, or (b) to the extent not so used, be paid to the Trustee to be applied to prepay the Installment Payments or any Parity Obligations, in accordance with written instructions of the District filed with the Trustee.

Section 7.3. Amendment of Installment Sale Agreement. The District and the Authority shall have the right to modify or amend this Installment Sale Agreement without the consent of any of the Bond Owners or any of the owners of Parity Obligations, but only if such amendment or modification does not cause interest represented by the Bonds to be includable in gross income for federal income tax purposes in the opinion of Bond Counsel, and only if such amendment or modification does not materially adversely affect the interests of the Owners of the Bonds in the opinion of Bond Counsel, and only if such amendment or modification is for any one or more of the following purposes:

- (a) to provide for the issuance of Parity Obligations pursuant to Section 4.9;
- (b) to add to the covenants and agreements of the District contained in this Installment Sale Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the District;
- (c) to cure any ambiguity, or to cure, correct or supplement any defective provision contained herein, or in any other respect whatsoever as the Authority and the District may deem necessary or desirable; or
- (d) to amend any provision thereof for the purpose of complying with the applicable requirements of the Tax Code.

## ARTICLE VIII

### EVENTS OF DEFAULT

Section 8.1. Events of Default Defined. The following events shall be Events of Default hereunder:

(a) Failure by the District to pay any Installment Payment when and as the same become due and payable hereunder.

(b) Failure by the District to pay any Additional Payment when due and payable hereunder, and the continuation of such failure for a period of ten (10) days.

(c) Failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in the preceding clauses (a) or (b), for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the District by the Authority or the Trustee; *provided, however*, that if the District shall notify the Authority and the Trustee that in its reasonable opinion the failure stated in the notice can be corrected, but not within such thirty (30) day period, such failure shall not constitute an Event of Default hereunder if the District shall commence to cure such failure within such thirty (30) day period and thereafter diligently and in good faith cure such failure in a reasonable period of time.

(d) The filing by the District of a voluntary petition in bankruptcy, or failure by the District promptly to lift any execution, garnishment or attachment, or adjudication of the District as a bankrupt, or assignment by the District for the benefit of creditors, or the entry by the District into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the District in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may hereafter be enacted.

(e) The occurrence and continuation of any payment event of default under and as defined in the instruments authorizing the issuance of any Parity Obligations or any event that allows the acceleration of Parity Obligations.

Section 8.2. Remedies on Default. Whenever any Event of Default shall have happened and be continuing, the Trustee as assignee of the Authority shall have the right, at its option and without any further demand or notice, but subject in all respects to the provisions of Article VII of the Indenture, to:

(a) declare all principal components of the unpaid Installment Payments, together with accrued interest thereon at the net effective rate of interest per annum then borne by the Outstanding Bonds from the immediately preceding Interest Payment Date on which payment was made, to be immediately due and payable, whereupon the same shall immediately become due and payable;

(b) take whatever action at law or in equity may appear necessary or desirable to collect the Installment Payments then due or thereafter to become due during the Term of this Installment Sale Agreement, or enforce performance and observance of any obligation, agreement or covenant of the District under this Installment Sale Agreement; and

(c) as a matter of right, in connection with the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and the Bond Owners hereunder, cause the appointment of a receiver or receivers of the Gross Revenues and other amounts pledged hereunder, with such powers as the court making such appointment shall confer.

The provisions of the preceding clause (a), however, are subject to the condition that if, at any time after the principal components of the unpaid Installment Payments shall have been so declared due and payable pursuant to the preceding clause (a), and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the District shall deposit with the Trustee a sum sufficient to pay all principal components of the Installment Payments coming due prior to such declaration and all matured interest components (if any) of the Installment Payments, with interest on such overdue principal and interest components calculated at the net effective rate of interest per annum then borne by the Outstanding Bonds, and the reasonable expenses of the Trustee (including any fees and expenses of its attorneys), and any and all other defaults known to the Trustee (other than in the payment of the principal and interest components of the Installment Payments due and payable solely by reason of such declaration) shall have been made good, then, and in every such case, with the written consent of the Trustee, shall rescind and annul such declaration and its consequences. However, 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. As provided in Section 8.6, the Trustee shall be required to exercise the remedies provided herein in accordance with the Indenture.

Section 8.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Installment Sale Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it in this Article VIII it shall not be necessary to give any notice, other than such notice as may be required in this Article VIII or by law.

Section 8.4. Agreement to Pay Attorneys' Fees and Expenses. In the event either party to this Installment Sale Agreement shall default under any of the provisions hereof and the non-defaulting party, the Trustee or the Owner of any Bonds should employ attorneys or incur other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the non-defaulting party, the Trustee or such Owner, as the case may be, the reasonable fees of such attorneys and such other expenses so incurred.

Section 8.5. No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Installment Sale Agreement shall be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 8.6. Trustee and Bond Owners to Exercise Rights. Such rights and remedies as are given to the Authority under this Article VIII have been assigned by the Authority to the Trustee under the Indenture, to which assignment the District hereby consents. Such rights and remedies shall be exercised by Trustee and the Owners of the Bonds as provided in the Indenture.

Section 8.7. Rights of the Owners of Parity Obligations. Notwithstanding anything in this Article VIII to the contrary, it is hereby acknowledged and agreed that the rights of the Trustee and the Bond Owners hereunder in and to the Net Revenues and the System shall be exercised on a parity and proportionate basis with the rights of the owners of any Parity Obligations and any fiduciary acting for the benefit of such owners. The provisions of this Article VIII, and the provisions of any instruments authorizing the issuance of any Parity Obligations, shall be construed in accordance with the foregoing sentence.

## ARTICLE IX

### PREPAYMENT OF INSTALLMENT PAYMENTS

Section 9.1. Security Deposit. Notwithstanding any other provision of this Installment Sale Agreement, the District may on any date secure the payment of Installment Payments in whole or in part by irrevocably depositing with the Trustee or any other fiduciary an amount of cash which, together with amounts on deposit in the Bond Fund, the accounts therein and the cash on deposit in the Reserve Account, is either (a) sufficient to pay all such Installment Payments, including the principal and interest components thereof, in accordance with the Installment Payment schedule set forth in Exhibit A, or (b) invested in whole or in part in Federal Securities in such amount as will, in the written opinion of an Independent Accountant, together with interest to accrue thereon and together with any cash which is so deposited, be fully sufficient to pay all such Installment Payments when due pursuant to Section 4.4(a) or when due on any optional prepayment date pursuant to Section 9.2, as the District shall instruct at the time of said deposit. In the event of a security deposit pursuant to this Section 9.1 with respect to all of the Installment Payments, all obligations of the District under this Installment Sale Agreement, and all security provided by this Installment Sale Agreement for said obligations, shall cease and terminate, excepting only the obligation of the District to make, or cause to be made, all of such Installment Payments from such security deposit, and the obligation of the District to compensate and indemnify the Trustee pursuant to Sections 4.9 and 6.3. Said security deposit shall be deemed to be and shall constitute a special fund for the payment of Installment Payments in accordance with the provisions of this Installment Sale Agreement.

Section 9.2. Optional Prepayment. The District may exercise its option to prepay the principal components of the Installment Payments in whole, or in part in integral multiples of \$5,000, on any date on or after August 1, \_\_\_, by paying a prepayment price equal to the aggregate principal components of the Installment Payments to be prepaid, together with the interest component of the Installment Payment required to be paid on or accrued to such date. Such prepayment price shall be deposited by the Trustee in the Redemption Fund or in another trustee-held fund to be applied to the redemption of Bonds pursuant to Section 4.01(b) of the Indenture. The District shall give the Trustee written notice of its intention to exercise its option not less than forty-five (45) days in advance of the date of exercise.

Section 9.3. Credit for Amounts on Deposit. In the event of prepayment of the principal components of the Installment Payments in full under this Article IX, such that the Indenture shall be discharged by its terms as a result of such prepayment, and upon payment in full of all Additional Payments and other amounts then due and payable hereunder, all available amounts then on deposit in the funds and accounts established under the Indenture shall be credited towards the amounts then required to be so prepaid.

ARTICLE X  
MISCELLANEOUS

Section 10.1. Further Assurances. The District agrees that it will execute and deliver any and all such further agreements, instruments, financing statements or other assurances as may be reasonably necessary or requested by the Authority or the Trustee to carry out the intention or to facilitate the performance of this Installment Sale Agreement, including, without limitation, to perfect and continue the security interests herein intended to be created.

Section 10.2. Notices. Any notice, request, complaint, demand or other communication under this Installment Sale Agreement shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by telecopy, telex or other form of telecommunication, at its number set forth below. Notice shall be effective either (a) upon transmission by telecopy, telex or other form of telecommunication, (b) 48 hours after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt.

If to the Authority:	River Islands Public Financing Authority 73 West Stewart Road Lathrop, CA 95330 Attention: Executive Director Phone: (209) ___-____
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If to the District:	Lathrop Irrigation District 73 West Stewart Road Lathrop, CA 95330 Attention: Public Agency Liaison Phone: (209) ___-____
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If to the Trustee:	Wilmington Trust, National Association 650 Town Center Drive, Suite 800 Costa Mesa, CA 92626 Attention: Corporate Trust Phone: (714) 384-4153
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The Authority, the District or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

Section 10.3. Limitation on Additional Debt. Notwithstanding the satisfaction of the other conditions to the incurrence of Parity Obligations hereunder, no such incurrence may occur (a) if an Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) exists unless such default shall be cured upon such incurrence, and (b) unless the Reserve Account is fully funded at the Reserve Requirement (including the proposed issue) upon the incurrence of such Parity Obligations.

Section 10.4. Third Party Beneficiary. The Trustee shall be and is hereby made a third party beneficiary hereunder.

Section 10.5. Governing Law. This Installment Sale Agreement shall be construed in accordance with and governed by the laws of the State.

Section 10.6. Binding Effect. This Installment Sale Agreement shall inure to the benefit of and shall be binding upon the Authority and the District, and their respective successors and assigns, subject, however, to the limitations contained herein.

Section 10.7. Severability of Invalid Provisions. If any one or more of the provisions contained in this Installment Sale Agreement 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 this Installment Sale Agreement and such invalidity, illegality or unenforceability shall not affect any other provision of this Installment Sale Agreement, and this Installment Sale Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority and the District each hereby declares that it would have entered into this Installment Sale Agreement and each and every other Section, paragraph, sentence, clause or phrase hereof irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Installment Sale Agreement may be held illegal, invalid or unenforceable.

Section 10.8. Article and Section Headings and References. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Installment Sale Agreement. All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Installment Sale Agreement; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Installment Sale Agreement as a whole and not to any particular Article, Section or subdivision hereof; and words of the masculine gender shall mean and include words of the feminine and neuter genders.

Section 10.9. Execution of Counterparts. This Installment Sale Agreement may be executed in any number of counterparts, each of which shall for all purposes be deemed to be an original and all of which shall together constitute but one and the same instrument.

Section 10.10. Waiver of Personal Liability. No member of the District Council, officer, agent or employee of the District shall be individually or personally liable for the payment of Installment Payments or Additional Payments or be subject to any personal liability or accountability by reason of this Installment Sale Agreement; but nothing herein contained shall relieve any such member of the District Council, officer, agent or employee from the performance of any official duty provided by law or by this Installment Sale Agreement.

Section 10.11. Limitation of Rights to Parties and Bond Owners. Nothing in this Installment Sale Agreement expressed 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 Bonds, any legal or equitable right, remedy or claim under or in respect of this Installment Sale Agreement 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 Bonds.

Section 10.12. Captions. The captions or headings in this Installment Sale Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Section of this Installment Sale Agreement.

IN WITNESS WHEREOF, the Authority and the District have caused this Installment Sale Agreement to be executed in their respective names by their duly authorized officers, all as of the date first above written.

RIVER ISLANDS PUBLIC FINANCING  
AUTHORITY, as Seller

By \_\_\_\_\_  
Executive Director

LATHROP IRRIGATION DISTRICT, as  
Purchaser

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

## EXHIBIT A

### SCHEDULE OF INSTALLMENT PAYMENTS

<u>Installment Payment Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total Installment Payment</u>
9/1/20			
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<u>Installment Payment Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total Installment Payment</u>
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<u>Installment Payment Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total Installment Payment</u>
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<u>Installment Payment Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total Installment Payment</u>
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<u>Installment Payment Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total Installment Payment</u>
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<u>Installment Payment Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total Installment Payment</u>
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