
INDEPENDENT CITIES FINANCE AUTHORITY
as Sponsor

and

AMERICAN FINANCIAL NETWORK, INC
as Ginnie Mae Issuer

**SINGLE FAMILY LEASE PURCHASE HOMEOWNERSHIP INITIATIVE
SPONSOR AGREEMENT**

Dated as of October 01, 2015

THIS SINGLE FAMILY LEASE PURCHASE HOMEOWNERSHIP INITIATIVE SPONSOR AGREEMENT ("Agreement") is made and entered into between INDEPENDENT CITIES FINANCE AUTHORITY, a California joint powers authority formed by its public agency members pursuant to Articles 1 and 2, Chapter 5, Division 7, Title 1 of the California Government Code (Section 6500 et seq.), as Sponsor ("Sponsor"), and AMERICAN FINANCIAL NETWORK, INC., as Ginnie Mae Issuer ("Issuer").

WITNESSETH:

WHEREAS, the Sponsor has established the Independent Cities Finance Authority Single Family Lease Purchase Homeownership Initiative ("Initiative") to assist persons of low and moderate income who meet specified criteria ("Eligible Lessees") pursue eligibility to become homeowners by selecting and residing in a single family property ("Property") per the terms of a twenty-four month lease agreement while actively participating in mandatory financial literacy, credit management, and FHA-approved housing counseling curriculum to become eligible to acquire the Property through qualifying loan assumption at lease end, and the Issuer is willing to originate and/or purchase FHA-insured mortgage loans ("Loans") that will provide funding for the acquisition of Properties to be purchased by the Sponsor and leased to Eligible Lessees; and

WHEREAS, Issuer desires to participate in the Initiative and to originate Loans in connection therewith; and

WHEREAS, the Sponsor and the Issuer desire to enter into this Agreement for the implementation of the Initiative as described herein; and

WHEREAS, the specified criteria for Eligible Lessees and the terms and conditions under which Loans will be originated for the purchase of Properties by the Sponsor to be occupied initially on a leased basis by Eligible Lessees are provided in the Lease Purchase Program Summary and Guidelines ("Program Summary and Guidelines"); and

WHEREAS, changes to the eligibility criteria and the terms of the Loans to be originated per the Initiative will be specified from time to time in supplements to the Program Summary and Guidelines; and

WHEREAS, to assist in effectuating the Initiative, the Sponsor and the Issuer have undertaken to enter into this Agreement and have set forth the terms and conditions upon which each party will participate in the Initiative.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter provided, the parties hereby agree as follows:

**ARTICLE I
DEFINITIONS; INTERPRETATION**

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.01 shall for all purposes of this Agreement have the meanings herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined.

"Custodial and Disbursement Agent" means Wilmington Trust N.A., a Delaware corporation and its successors and assigns.

"*Eligible Lessees*" means persons and families of low to moderate income who meet the criteria specified in the Program Summary and Guidelines.

"*GNMA Issuer*" means American Financial Network, Inc., a California corporation and its successors and assigns, an approved FHA Mortgagee in good standing eligible per Ginnie Mae requirements to acquire or originate eligible Loans to be used in the creation, marketing, and servicing of eligible Ginnie Mae MBS pools or Loan packages.

"*Initiative*" means the program established by the Sponsor to provide an opportunity to Eligible Lessees to pursue eligibility to become homeowners by selecting and residing in a single family Property per the terms of a twenty-four month lease agreement while actively participating in mandatory financial literacy, credit management, and FHA-approved housing counseling curriculum to become eligible to acquire the Property through qualifying Loan assumption at lease end.

"*Lease*" means the lease agreement in a form approved by the Sponsor, the Issuer, and the Property Manager which provides the terms and conditions of the use and occupancy by an Eligible Lessee of the Property purchased with a Loan.

"*Loan*" means an FHA-insured first-lien mortgage loan acquired or originated by the Issuer per the Initiative in accordance with the Program Summary and Guidelines.

"*Property*" means the qualifying real property and improvements purchased per the Initiative for lease to an Eligible Lessee and subject to a first-lien mortgage to secure repayment of the related Loan.

"*Property Management Agreement*" means an agreement entered into by and among the Sponsor and the Property Manager that specifies the services and responsibilities of the Property Manager in connection with the leasing, maintenance, repair, collection of rent, and other duties related to the Properties financed with Loans, and all addendums, amendments, supplements and additions thereto.

"*Program Summary and Guidelines*" means the Lease Purchase Program Summary and Guidelines approved by the Sponsor and the Issuer, which describes the Initiative and specifies criteria for Eligible Lessees and the terms and conditions under which eligible Loans will be originated for the purchase of Properties to be occupied initially on a leased basis by Eligible Lessees, as may be amended and supplemented from time to time by the Sponsor and the Issuer, a copy of which is attached hereto as **Exhibit A-1**.

"*Sponsor*" means Independent Cities Finance Authority, a California joint powers authority formed by its public agency members pursuant to Articles 1 and 2, Chapter 5, Division 7, Title 1 of the California Government Code (Section 6500 et seq.) making the representations and warranties set forth in Section 2.02 hereof.

"*Sponsor Affiliate*" means a nonprofit instrumentality of government corporation formed by the Sponsor for the purpose, among other things providing the Sponsor's Minimum Required Investment as described and allowed per FHA Handbook 4000.1.

"*State*" means California.

Section 1.02. Interpretation.

- (a) In this Agreement, unless the context otherwise requires:
 - (i) the terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder” and any similar terms, as used in this Agreement, refer to this Agreement and the term “heretofore” means before and the term “hereafter” means after the date of this Agreement;
 - (ii) words of the masculine gender mean and include correlative words of the feminine gender and words importing the singular number mean and include the plural number and vice versa; and
 - (iii) unless otherwise indicated, section references herein refer to sections of this Agreement.
- (b) Nothing in this Agreement expressed or implied is intended or shall be construed to confer upon, or to give to, any person, other than the parties to this Agreement, any right, remedy or claim under or by reason of this Agreement or any covenant, condition or stipulation hereof.
- (c) Notwithstanding anything contained in this Agreement to the contrary,
 - (i) any and all provisions in this Agreement referring to the regulations, requirements, guidelines, and other rules of any governmental or quasi-governmental agency (such as FHA) or to any approvals or notices from or consents or other actions required of any such agency shall be applicable or required as specified in this Agreement only if Loans have been sold to or guaranteed or insured by such agency, and
 - (ii) in the event that any of the provisions of this Agreement conflict or are inconsistent with the regulations, requirements, guidelines or other rules of any such agency that are applicable to the origination of any Loan, then the regulations, requirements, guidelines, and other rules of the agency in question shall govern the origination of such Loan.

ARTICLE II REPRESENTATIONS AND WARRANTIES

Section 2.01. Representations and Warranties of Issuer. The Issuer represents and warrants as follows:

- (a) The Issuer is duly incorporated, validly existing and in good standing under the laws governing its creation and existence and is qualified to do business under the laws of the State, with full corporate power to own its properties and conduct its business.
- (b) All corporate proceedings legally required to be taken by the Issuer in connection with the authorization and execution of this Agreement and the consummation of the transactions contemplated hereby and related hereto, and all such approvals, authorizations, consents, licenses or other orders of local,

state or federal regulatory agencies, public boards or bodies, if any, as may be legally required to be obtained by the Issuer prior to the date of this Agreement with respect to all or any of such matters, have been taken or obtained.

(c) This Agreement has been duly authorized, executed and delivered by the Issuer and, when duly executed and delivered by the other parties hereto, will constitute the legal, valid and binding obligation of the Issuer enforceable in accordance with its terms except as enforcement may be limited by bankruptcy, insolvency, reorganization or other laws or equitable principles limiting creditors' rights generally (regardless of whether enforcement is sought at law or in equity).

(d) During the term of this Agreement, the Issuer will remain in good standing and qualified to do business under the laws of the state of its then state of organization and of the State, will not dissolve or otherwise dispose of all or substantially all of its assets and will not voluntarily consolidate with or merge into any other entity or permit one or more other entities to consolidate with or merge into it, provided that it may, without violating the agreement contained in this subsection, consolidate with or merge into another entity, or permit one or more entities to consolidate with or merge into it, or sell or otherwise transfer to another such entity all or substantially all of its assets as an entirety and thereafter dissolve, provided that the surviving resulting or transferee entity, as the case may be, shall assume in writing all of the obligations of the Issuer under this Agreement (in the case of a sale of all or substantially all of the Issuer's assets, each of the other parties hereto shall release the Servicer in writing from all liability hereunder, concurrently with and contingent upon such assumption).

(e) the Issuer has full legal authority to engage in the activities covered by this Agreement, and the execution and delivery of this Agreement and compliance with its terms, conditions and provisions will not conflict with or result in a material breach of any of the terms, conditions or provisions of the charter, bylaws or governing instruments of the Issuer or any material agreement to which it is a party or by which it is bound or any law or regulation or any administrative decree or order to which it is subject, or constitute a default thereunder, which conflict, breach or default would materially and adversely affect the performance by the Issuer of its obligations under this Agreement.

(f) To the best of its knowledge, the Issuer 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 governmental agency, which default might have consequences that would materially and adversely affect its performance hereunder.

(g) There is no litigation pending or, to the best of its knowledge, threatened against the Issuer with respect to this Agreement or the consummation of the transactions contemplated hereby.

(h) The Issuer will comply in all material respects with the nondiscrimination provisions of the Civil Rights Act of 1964, the regulations promulgated thereunder, and Executive Order 11246, Equal Employment

Opportunity, dated September 24, 1965, and all applicable laws and regulations relating to the activities contemplated by this Agreement.

Section 2.02. Representations and Warranties of Sponsor. Sponsor represents and warrants as follows:

(a) The Sponsor is duly organized and validly existing under the laws governing its creation and existence, and has full legal right, power, and authority (i) to enter into this Agreement, and (ii) to carry out, give effect to, and consummate all other transactions on its part contemplated by this Agreement.

(b) All governmental proceedings legally required to be taken by the Sponsor in connection with the authorization and execution of this Agreement and the consummation of the transactions contemplated hereby and related hereto, and all such approvals, authorizations, consents, licenses or other orders of local, state or federal regulatory agencies, public boards or bodies and any other entity, if any, as may be legally required to be obtained by the Sponsor prior to the date of this Agreement with respect to all or any of such matters, have been taken or obtained.

(c) This Agreement has been duly authorized, executed and delivered by the Sponsor and, when duly executed and delivered by the other parties hereto, will constitute the legal, valid and binding obligation of the Sponsor enforceable in accordance with its terms except as enforcement may be limited by bankruptcy, insolvency, reorganization or other laws or equitable principles limiting creditors' rights generally (regardless of whether enforcement is sought at law or in equity).

(d) During the term of this Agreement, the Sponsor will remain in good standing and qualified to do business under the laws of the state of its then state of organization and of the State, will not dissolve or otherwise dispose of all or substantially all of its assets and will not voluntarily consolidate with or merge into any other entity or permit one or more other entities to consolidate with or merge into it, provided that it may, without violating the agreement contained in this subsection, consolidate with or merge into another entity, or permit one or more entities to consolidate with or merge into it, or sell or otherwise transfer to another such entity all or substantially all of its assets as an entirety and thereafter dissolve, provided that the surviving, resulting or transferee entity, as the case may be, shall assume in writing all of the obligations of Sponsor under this Agreement (in the case of a sale of all or substantially all of Sponsor's assets, each of the other parties hereto shall release the Sponsor in writing from all liability hereunder, concurrently with and contingent upon such assumption).

(e) The Sponsor and the Sponsor Affiliate have full legal authority to engage in their respective activities covered by this Agreement, and the execution and delivery of this Agreement and compliance with its terms, conditions and provisions will not conflict with or result in a material breach of any of the terms, conditions or provisions of their respective charter, bylaws or governing instruments or any material agreement to which either is a party or by which either is bound or any law or regulation or any administrative decree or order to which either is subject, or constitute a default thereunder, which conflict,

breach or default would materially and adversely affect the performance by the Sponsor or the Sponsor Affiliate of their respective obligations under this Agreement.

(f) To the best of their knowledge, the Sponsor and the Sponsor Affiliate are 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 governmental agency, which default might have consequences that would materially and adversely affect their performance hereunder.

(g) There is no litigation pending or, to the best of its knowledge, threatened against the Sponsor or the Sponsor Affiliate with respect to this Agreement or the consummation of the transactions contemplated hereby.

(h) All Homes to be financed by Loans will be purchased in conformance with all applicable federal and state laws, rules and regulations and the Sponsor will comply with all applicable laws and regulations relating to Sponsor activities contemplated by this Agreement and the Sponsor will cause the Sponsor Affiliate to comply with all applicable laws and regulations relating to the Sponsor Affiliate activities contemplated by this Agreement.

(i) As of the date of this Agreement, the Sponsor is an instrumentality of the State, and as such is exempt from federal income taxation and warrants that it will not perform any acts or enter into any agreements which would adversely affect such federal income tax status nor shall it carry on or permit to be carried on any trade or business if such activity would adversely affect its federal income status.

(j) As an instrumentality of the State involved in the provision of housing and able to obtain FHA-insured financing, the Sponsor has provided evidence from its legal counsel that (i) the Sponsor has the legal authority to become the borrower, and (ii) the State is not in bankruptcy, and (iii) there is no legal prohibition that would prevent the Issuer from obtaining a deficiency judgement (if permitted by State law for other types of borrowers) on FHA's behalf in the event of foreclosure or deed-in-lieu of foreclosure. As such, state and local government agencies are not required to be listed on the HUD-approved Nonprofit roster per HUD 4000.1 "FHA Single Family Housing Policy Handbook", Section II.A.1.(14)(b)(i).

Section 2.03. Survival of Representations and Warranties. All of the representations and warranties made by the parties in this Agreement shall survive the execution and delivery of this Agreement.

ARTICLE III THE INITIATIVE

Section 3.01. Initiative Terms. Sponsor and Issuer have reviewed, agreed to, and accepted the Program Summary and Guidelines. The Issuer will consult with the Sponsor regarding the specific terms of the Initiative and the Loans to be made in connection with the Initiative. Additional terms may be agreed to by the Sponsor and the Issuer for Eligible Lessees, the Lease, the Property Manager, the geographic area of

Sponsor's involvement in the Initiative, the maximum dollar amount of Loans committed to be originated and/or purchased by the Issuer and other terms of the Initiative, all of which shall be set forth on **Exhibit A-2** hereto and incorporated herein and shall govern the terms of the Initiative in the event of any inconsistency between the Program Summary and Guidelines and this Agreement. The Sponsor and the Issuer may mutually agree to make changes to the Program Summary and Guidelines from time to time.

Section 3.02. Loan Origination Guidelines. All Loans originated per the Initiative will conform to HUD origination guidelines found in HUD 4000.1 "FHA Single Family Housing Policy Handbook" and HUD qualifying assumption guidelines found in 4330.1 REV-5 "Administration of Insured Mortgages", and any changes to the Program Summary and Guidelines to conform the Loans to HUD guidelines or applicable laws or regulations may be made by the Issuer at any time with notice to the Sponsor.

Section 3.03 Establishment of Interest Rates for Loans.

(a) The Issuer will establish, from time to time, the interest rates for Loans under the Initiative consistent with Issuer and with HUD requirements for Loans per the Initiative. The Issuer will post on its rate sheets the rates and prices for Loans to be originated per the Initiative. The rates and prices for Loans per the Initiative shall include the fees and charges of the Sponsor and its agents as set forth on **Exhibit B**; provided, however, that the fees payable to any agent identified in **Exhibit B** cannot be reduced without its prior written consent. The parties to this Agreement hereby acknowledge and agree that such agents are third party beneficiaries of this Section 3.03(a) and shall be entitled to enforce their rights hereunder as if they were parties to this Agreement. The Sponsor and its agents expressly agree that all amounts payable to such parties pursuant to this Section 3.03 (a) shall be paid by the Issuer to the Custodial and Disbursement Agent for deposit on behalf of the Sponsor as provided in Section 3.03 (b) hereof and the Issuer shall have no further responsibility for receipt by such agents or other parties of payment from the Sponsor. Any fees or charges by the Sponsor and the financial contribution by the Sponsor, if any, shall be as set forth in **Exhibit B** hereto and the Program Summary and Guidelines and may not be changed without the approval of the Sponsor and the Issuer.

(b) The Sponsor, its agents, and the Issuer may, by mutual consent, change the rate or price adjustments set forth in **Exhibit B**. The applicable fees payable to the Sponsor and to agents of the Sponsor (other than the Issuer) will be remitted by the Issuer to the Custodial and Disbursement Agent for deposit on behalf of the Sponsor as Loans are originated, purchased and sold by the Issuer. The Issuer shall calculate all such fees, and the Issuer shall remit to the Custodial and Disbursement Agent for deposit on behalf of the Sponsor within [three (3)] days of the closing of each Loan transaction. Included with each such remittance shall be a report from the Issuer listing the amount of fees to be paid to each party from such remittance amount.

Section 3.04 Funding of Loans. During the term of this Agreement, the Issuer commits to fund and/or facilitate the purchase, origination, and sale of Loans in the amounts set forth on **Exhibit A-1 and A-2** hereto and incorporated herein. The Issuer also commits to advance proceeds in connection with each Loan as needed for closing costs in amounts not to exceed two-and-a-half percent (2.50%) of the purchase price of each Property subject to a Loan. No portion of the proceeds of a Loan may be paid to an Eligible Lessee or used for any purpose other than consistent with the Initiative.

Notwithstanding the foregoing, this Agreement is not exclusive and Sponsor may contract with other issuers to participate in the Initiative.

Section 3.05 Sponsor's Purchase of Homes. The Sponsor agrees to purchase Properties with the proceeds of Loans to be leased to Eligible Lessees pursuant to Leases. The Sponsor agrees to do and perform and to cause the Sponsor Affiliate to do and perform any and all obligations specified in **Exhibit A** attached hereto and incorporated herein, including any financial contribution to be made by the Sponsor Affiliate in connection with the purchase of Properties. The Sponsor agrees to enter into Property Management Agreement to provide for, among other things, the collection of lease payments and the remittance of the payments on Loans to the Issuer.

Section 3.06. Delivery of Sponsor Materials. On or before the date of this Agreement, the Sponsor shall deliver to the Issuer any certificates, letters of authorization, documentation of status or opinions of counsel as may be reasonably requested by the Issuer, evidencing the Sponsor's qualifications and status as represented by the Sponsor in Section 2.02.

ARTICLE IV OWNERSHIP AND SERVICING OF LOANS

Section 4.01. Ownership of Loans. All Loans will be originated or purchased by and shall be the property of the Issuer.

Section 4.02. Servicing Duties of the Issuer. The Issuer will be the servicer of all Loans originated and purchased under the Initiative. The Issuer will service the Loans in accordance with its customary servicing practices for first-lien mortgage Loans owned by the Issuer and in accordance with Ginnie Mae servicing guidelines.

Section 4.03. Assignment of Servicing. The Issuer may, at any time, assign all or any portion of the servicing rights for the Loans on any terms acceptable to the Issuer; provided that any agreement to assign servicing rights and obligations shall provide that the transferee servicer must assume the servicing obligations of this Agreement with respect to fees and charges payable to the Sponsor and its agents as provided in Section 3.03 (a) hereof. The Issuer shall give notice to the Sponsor of any assignment of servicing under this Section 4.03 no more than thirty (30) days after a transfer.

ARTICLE V TERMINATION OF AGREEMENT

Section 5.01. Termination. Either party hereto may terminate this Agreement upon no less than sixty (60) days' prior written notice to the other party. All reservations and commitments for Loans under the Initiative outstanding as of the date of notice of termination will remain subject to this Agreement. Termination of this Agreement shall not affect any rights or obligations arising from Loans originated prior to the effective date of termination.

Section 5.02. Loss of Sponsor Status. If the Sponsor shall cease to be a nonprofit instrumentality of government as described in Section 2.02 (e), this Agreement shall terminate effective as of the date of the loss of such status. No fees or charges of

the Sponsor or its agents shall be payable for any Loans purchased by the Issuer on or after such date.

Section 5.03. Liability after Termination. Termination of this Agreement shall not release any party from any responsibility or liability on the part of such party that arises prior to termination.

Section 5.04. No Remedy Exclusive. Unless otherwise expressly provided, no remedy herein conferred or reserved is intended to be exclusive of any other available remedy, but each remedy shall be cumulative and shall be in addition to other remedies given under this Agreement or existing at law or in equity. No delay or omission to exercise any right or power accruing under this Agreement 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.

Section 5.05. Agreement to Pay Attorneys' Fees and Expenses. In the event Sponsor or the Issuer should fail to materially perform its obligations under any of the provisions of this Agreement and the other party should employ attorneys or incur other expenses for the enforcement of the performance or observance of any material obligation or agreement on the part of such defaulting party herein contained, the defaulting party shall, to the extent permitted by law, pay or reimburse the non-defaulting party, on demand, the reasonable fee of such attorneys and such other reasonable expenses incurred in connection with the defaulting party's material failure to perform its obligations hereunder.

ARTICLE VI MISCELLANEOUS

Section 6.01. Notices.

(a) All notices, certificates or other communications required to be given hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by first class mail, postage prepaid, addressed to Sponsor at PO Box 6740, Lancaster, California 93539-6740; and addressed to the Issuer (during the Origination Period) at American Financial Network, Inc., Attn: Special Programs Division, 3110 Chino Avenue, Suite 290, Chino, California 91709, or (after the Origination Period) at American Financial Network, Inc., Attn: Legal Department, 3110 Chino Avenue, Suite 290, Chino, California 91709; or to such other address provided by each such party to the other parties.

(b) Any party may, by written notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 6.02. Governing Law. All questions with respect to the construction of this Agreement, and the rights and liability of the parties hereto, shall be governed by the laws of the State.

Section 6.03. Article and Section Headings and References. The headings or titles of the several articles and sections hereof shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Agreement.

Section 6.04. Severability. If any term or provision of this Agreement or the application thereof shall to any extent be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision to circumstances other than those to which it is invalid or unenforceable, shall not be affected thereby and shall be enforced to the extent permitted by law. To the extent permitted by applicable law, the parties hereby waive any provision of law, which would render any of the terms of this Agreement unenforceable.

Section 6.05. Waiver. No failure on the part of any party hereto to enforce any covenant or provision herein contained, or any waiver of any right hereunder, shall discharge or invalidate such covenant or provision or affect the right of such party to enforce the same in the event of any subsequent breach or default; failure to demand strict performance of any covenant or condition of this Agreement shall not be deemed a waiver of such covenant or condition.

Section 6.06. Indemnity. The Sponsor and the Issuer (each, an “Indemnitor”) shall indemnify each other, including their officers and employees (individually, an “Indemnitee”) and hold them harmless of and from any and all claims, lawsuits, liabilities, loss, penalty, fine, forfeiture, reasonable attorneys’ fees, damage or expense (collectively, “Losses”) that any of them may sustain or incur as a result of any material failure on the part of the Indemnitor to perform its services, duties and obligations under the terms and provisions of this Agreement; provided, however, that (a) neither this provision nor any other provision of this Agreement pursuant to which the Indemnitor shall indemnify or hold harmless an Indemnitee from any Losses shall require the Indemnitor to indemnify an Indemnitee from claims arising from the negligence or willful misconduct of any of such Indemnitee and (b) an Indemnitor shall not be liable for the acts of any of its successors or assigns, provided that the successors or assigns are liable under this Agreement. Each Indemnitee agrees to promptly notify the Indemnitor in writing of the existence of any fact or circumstance known to such Indemnitee giving rise to any obligations of the Indemnitor to indemnify or hold them harmless under this Agreement and in the case of any claim or any litigation which may give rise to such obligations, each Indemnitee agrees to promptly notify the Indemnitor of the making of which claim or the commencement of such action as and when the same become known to such Indemnitee. The Indemnitor shall have the option of defending such Indemnitee in connection with any such claims or actions using its own counsel. If the Indemnitor exercises such option, the Indemnitor shall not be responsible for such Indemnitee’s attorneys’ fees from and after the date such Indemnitee receives notification of the Indemnitor’s exercise of such option. The Indemnitor shall have the right to settle any such claims with the approval of such Indemnitee, which approval shall not be unreasonably withheld, and an Indemnitee may not settle any such claims without the Indemnitor’s consent. If such Indemnitee recovers from any third party any amount paid by an Indemnitor to such Indemnitee in satisfaction of the Indemnitor’s obligations to indemnify or hold harmless such Indemnitee, such Indemnitee shall promptly pay to the Indemnitor the full amount so recovered.

Section 6.07. Amendments. This Agreement may be amended only in writing and upon approval of the parties hereto.

Section 6.08. All Prior Agreements Superseded. This Agreement supersedes any prior agreements and understandings among the parties hereto governing the origination and/or purchase of Loans under the Initiative.

Section 6.09. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, and such counterparts shall constitute one and the same instrument.

Section 6.10. Limitation on Liability of Directors, Officers, Employees and Agents of the Parties. No director, officer, employee or agent of any party hereto shall be under any liability to any party for any action taken or for refraining from the taking of any action in good faith pursuant to this Agreement, or for such errors in judgment as a reasonably prudent businessperson would make. Nothing in this Section 6.10 is intended to imply liability on the part of any person who otherwise would not be liable.

Section 6.11. Limitation on Liability of Parties. Each party to this Agreement shall be liable under this Agreement only to the extent that obligations are explicitly imposed upon and undertaken by the party against whom enforcement is sought.

Section 6.12. Arbitration. Any dispute arising under this Agreement, including, without limitation, all disputes relating in any manner to the performance or enforcement of this Agreement shall be resolved by binding arbitration in the County of Los Angeles, California, pursuant to the rules of Judicial Arbitration and Mediation Services (“JAMS”), as amended or as augmented in this Agreement (the “Rules”). Arbitration shall be initiated as provided by the Rules, although the written notice to the other party initiating arbitration shall also include a description of the claim(s) asserted and the facts upon which the claim(s) are based. Arbitration shall be final and binding upon the parties and shall be the exclusive remedy for all claims subject hereto, including any award of attorney’s fees and costs. Either party may bring an action in court to compel arbitration under this Agreement and to enforce an arbitration award. All disputes shall be decided by a single arbitrator. The arbitrator shall be selected by mutual agreement of the parties within thirty (30) days of the effective date of the notice initiating the arbitration. If the parties cannot agree on an arbitrator, then the complaining party shall notify JAMS and request selection of an arbitrator in accordance with the Rules. The arbitrator shall have only such authority to award equitable relief, damages, costs, and fees as a court would have for the particular claim(s) asserted. In no event shall the arbitrator award punitive damages of any kind. The parties acknowledge that one of the purposes of utilizing arbitration is to avoid lengthy and expensive discovery and allow for prompt resolution of the dispute. The arbitrator shall have the power to limit or deny a request for documents or a deposition if the arbitrator determines that the request exceeds those matters which are directly relevant to the claims in controversy. The document demand and response shall conform to Code of Civil Procedure section 1282.6. The deposition notice shall conform to Code of Civil Procedure section 1283. The parties may make a motion for protective order or motion to compel before the arbitrator with regard to the discovery, as provided in Code of Civil Procedure. Notwithstanding the election by the parties to arbitrate their disputes, nothing contained herein shall prevent a party from filing an action in a court of competent jurisdiction to seek any form of equitable remedy or relief.

[Signature page follows]

IN WITNESS WHEREOF, the Sponsor and the Issuer have caused this Agreement to be signed in their respective names by their respective duly authorized officers, all as of the date first above written.

INDEPENDENT CITIES
FINANCE AUTHORITY

By _____
Name _____
Title _____

AMERIPRO FINANCIAL
NETWORK, INC.

By _____
Name _____
Title _____

EXHIBIT A-1

Lease Purchase Program Summary and Guidelines

See Attached

EXHIBIT A-2

Additional Terms and Provisions

| | |
|---------------------------------------|---|
| Sponsor/Mortgagor | Independent Cities Finance Authority, a Joint Powers Authority Contacted at: PO Box 6740 Lancaster, CA 93539-6740 Attention: Debbie Smith, Executive Director, (877) 906-0941 |
| Sponsor Affiliate | Independent Cities Finance Corporation, a non-profit instrumentality of government corporation formed by the Sponsor. |
| Sponsor Fees and Charges | An amount equal to two percent (2.00%) of the Property purchase price will be collected from the Loan rate at closing and deposited in the Sponsor Fee Account with the Custodial and Disbursement Agent for the benefit of the Sponsor. An amount equal to one percent (1.00%) of the Property purchase price will immediately be paid by the Custodial and Disbursement Agent from the Sponsor Fee Account to the Sponsor. Thereafter, an amount equal to one-twenty-fourth of 1.00% of the Property purchase price will be paid monthly by the Custodial and Disbursement Agent from the Sponsor Fee Account to the Sponsor. |
| Administrator Fees and Charges | An amount equal to two percent (2.00%) of the Property purchase price will be collected from the Loan rate at closing and deposited in the Administrator Fee Account with the Custodial and Disbursement Agent for the benefit of the Administrator. An amount equal to one percent (1.00%) of the Property purchase price will immediately be paid by the Custodial and Disbursement Agent from the Administrator Fee Account to the Administrator. Thereafter, an amount equal to one-twenty-fourth of 1.00% of the Property purchase price will be paid monthly by the Custodial and Disbursement Agent from the Administrator Fee Account to the Administrator. |
| Sponsor/Mortgagor Contribution | At the time of closing of each Loan transaction, the Sponsor Affiliate will gift an amount not to exceed three-and-a-half percent (3.50%) of the Purchase Price of the Property to fund the Sponsor's minimum required investment, as described and allowed per HUD Handbook 4000.1. |
| Project Name/ Location | Independent Cities Finance Authority Lease Purchase Initiative/The Counties of San Bernardino (MSA Code 40140), and San Diego (MSA Code 41740), and San Mateo (MSA Code 41860), and the Cities of Alhambra, Apple Valley, Azusa, Baldwin Park, Barstow, Brea, Bell, Bellflower, Capitola, Carpinteria, Carson, Chino, Claremont, Colton, Commerce, Compton, Covina, Downey, Duarte, El Monte, Fairfield, Fontana, Fresno, Gardena, Garden Grove, Glendale, Glendora, Hawaiian Gardens, Hawthorne, Huntington Park, Indio, Inglewood, La Habra, La Puente, Lakewood, Lancaster, Lawndale, Long Beach, Los Angeles, Lynwood, Monrovia, Montclair, Montebello, Monterey Park, Morgan Hill, Norwalk, Oceanside, Palm Springs, Palmdale, Paramount, Pico Rivera, Planada Community Service District, Pomona, Rancho Cucamonga, Rialto, Riverside, Rohnert Park, Salinas, San Bernardino, San Fernando, San Juan Capistrano, San Marcos, Santa Clarita, Santa Rosa, Signal Hill, South Gate, Vernon, Vista, West Covina, Whittier, and Yucaipa. |
| First-lien | A total of \$100,000,000 for Loans is committed to the Initiative, subject |

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| Mortgage Loans | to the terms of the Agreement. |
| Property Manager | HomeStar Property Management, LLC, as Property Manager. |
| Property Manager Fees and Charges | A monthly fee in an amount equal to ten percent (10.00%) of the sum of monthly amounts assessed to pay loan principal, interest, property taxes, mortgage insurance, property insurance, and credit counseling and reporting fees. This amount will be netted from the monthly lease payment collected by the Property Manager before a single remittance for all monthly lease payments will be remitted to the Custodial and Disbursement Agent for further remittance as described in the Custodial and Disbursement Agent Agreement. |
| Reserve Fund Accounts | <p>At the time of the closing of each Loan transaction, the Sponsor will cause amounts equal to 1.00% of the Purchase Price of the Property to be deposited into each of the Mortgage Reserve Fund Account and the Property Preservation Reserve Fund Account. Funds in these Reserve Fund Accounts will be used solely for the payment of Loans, property preservation and/or other Initiative costs in the event of non-payment of rents by any Eligible Lessee for any reason or in the event of Property vacancy resulting in non-payment of rents. The Reserve Fund Accounts will be held by a Custodial and Disbursement Agent and disbursed pursuant to an executed Custodial and Disbursement Agent Agreement between the Sponsor and the Custodial and Disbursement Agent.</p> <p>Upon full conversion of all Properties from leased status to owner-occupied status, any remaining unused funds in the Reserve Fund Accounts will be distributed to pay deferred program fees as described in the Custodial and Disbursement Agent Agreement.</p> |
| Minimum Required Investment/Down Payment | At the time of closing of each Loan transaction, directly or by purchase, in an amount not to exceed three-and-a-half percent (3.50%) of the Purchase Price of the Property. This amount will be used to fund down payment required to complete the transaction. In no event may the Eligible Lessee receive any cash or other benefit from the Loan. |
| Closing Costs | At the time of closing of each Loan transaction, directly or by purchase, in an amount not to exceed two-and-a-half percent (2.50%) of the Purchase Price of the Home Property. This amount will be used to fund closing costs required to complete the transaction. In no event may the Eligible Lessee receive any cash or other benefit from the Loan. |
| Allowable Lender Fees and Charges | AFN may charge only those fees that are standard to an FHA-insured real estate transaction. The Eligible Lessee may never be charged any amount greater than the Application Fee and the Participation Fee described in the Program Summary and Guidelines. |
| Credit Counseling Provider | Money Management International, Inc., as FHA-approved credit and housing counseling provider. |
| Credit Counselor Fees and Charges | A fixed monthly fee in an amount equal to \$75.00 will be included in each monthly lease payment paid by Eligible Lessees and collected by the Property Manager for deposit with the Custodial and Disbursement Agent and immediate payment to the Credit Counseling Provider as further described in the Custodial and Disbursement Agent Agreement. |
| Property, Casualty, Liability Insurance Provider | SWBC Insurance Services, as Property, Casualty, and Liability Insurance provider. |

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| Property, Casualty, Liability Insurance Provider Fees and Charges | An annual fee in an amount equal to 1.13% of the appraised Property value will be collected by the Property Manager in equal monthly installments for remittance to the Custodial and Disbursement Agent and immediate payment to the Property, Casualty, and Liability Insurance provider. This amount will be netted from the monthly lease payment collected by the Property Manager before being remitted to the Custodial and Disbursement Agent for further remittance as described in the Custodial and Disbursement Agent Agreement. |
| Mortgage Payment Protection Insurance Provider | GDP Advisors, LLC, as Mortgage Payment Protection Insurance provider. |
| Mortgage Payment Protection Insurance Provider Fees and Charges | An amount equal to four-and-one-half percent (4.50%) of the Loan amount will be collected at Loan closing from the maximum allowable six percent (6.00%) Seller's Contribution and remitted to the Custodial and Disbursement Agent for payment of Mortgage Payment Protection Insurance as described in the Custodial and Disbursement Agent Agreement. |

EXHIBIT B

FEES AND CHARGES

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| ICFC Loan Closing Fee | 3.50% |
| Lender Funded Closing Costs | 2.50% |
| Lender Origination Fee | 2.00% |
| ICFA Loan Closing Fee | 2.00% |
| EMG Loan Closing Fee | <u>2.00%</u> |
| Total | 12.00% |