

## WAIVER AGREEMENT

THIS WAIVER, dated as of this \_\_th day of October 2013, is given in connection with that certain Indenture of Trust ("Trust Agreement") dated as of July 1, 2010 by and between Independent Cities Finance Authority (formerly known as the Independent Cities Lease Finance Authority), a joint powers authority duly organized and existing under the laws of the State of California ("the Authority"), and Union Bank, N.A. ("Trustee"), a national banking association duly authorized to accept trusts.

### WITNESSETH

WHEREAS, the Authority made a loan (the "Loan") to Millennium Housing Corporation, a California nonprofit public benefit corporation (the "Borrower"), to enable the Borrower to finance the acquisition of the Lamplighter Salinas Mobilehome Park (the "Project"), located in the City of Salinas, California (the "City"); and

WHEREAS, the City is an associate member of the Authority and previously authorized the Authority's financing of the Project; and

WHEREAS, the Authority issued, sold, and delivered the following bonds relating to: (i) Mobile Home Park Revenue Bonds (Lamplighter Salinas Mobilehome Park) Series 2010A in the initial principal amount of \$18,930,000 (the "Series A Bonds"); (ii) Mobile Home Park Subordinate Revenue Bonds (Lamplighter Salinas Mobilehome Park) Series 2010B in the initial principal amount of \$5,495,000 (the "Series B Bonds"); (iii) Mobile Home Park Subordinate Revenue Bonds (Lamplighter Salinas Mobilehome Park) Series 2010C in the initial principal amount of \$700,000 (the "Series C Bonds"); and (iv) Mobile Home Park Subordinate Revenue Bonds (Lamplighter Salinas Mobilehome Park) Taxable Series 2010D in the initial principal amount of \$500,000 (the "Series D Bonds" and together with Series C Bonds referred to as the "Subordinate Bonds", and the Subordinate Bonds and the Series A Bonds and the Series B Bonds referred to herein as the "Bonds") to finance the acquisition of the Project, to fund the Series A Bonds Debt Service Reserve Fund securing the Series A Bonds, and to pay the costs of issuing the Bonds, all under and in accordance with the Constitution and laws of the State of California; and

WHEREAS, in order to implement the making of the Loan, the Authority entered into the Trust Agreement pursuant to which the Borrower agreed to make certain monthly payments; and

WHEREAS, the parties hereto agree that it is necessary to convert the monthly loan payments due the Authority from the Borrower into single annual payments starting in July 2014.

NOW, THEREFORE, the parties agree as follows:

1. Acknowledgment. The Authority acknowledges that the execution of this Agreement is for its sole benefit in terms of simplifying that certain payment schedule set forth in Subsection (i) of Section 5.7 of the Trust Agreement. The capitalized terms used but not defined in this Waiver shall have the meanings specified in the Trust Agreement, Loan Agreement and the Regulatory Agreement. In addition, both parties acknowledge that this change in the Trust

Agreement in no way alters or impacts the obligations to the bondholders for the above transactions.

2. Waiver. Authority hereby voluntarily and expressly waives its rights to a monthly payment under Subsection (i) of Section 5.7 of the Trust Agreement in favor of an annual payment schedule for an amount due in such Bond Year on the Authority Note in accordance with the repayment schedule attached to the Authority Note, together with any prior payments not previously made in that prior year.

3. Informed Consent. Each undersigned Party hereby declares that said Party has received, or had the opportunity to receive, sufficient information, either through said Party's own legal counsel or other sources of said Party's own selection, so as to be able to make an intelligent and informed judgment whether to enter into this Agreement.

4. Further Assurances. The undersigned Parties each agree to execute all documents and perform all acts necessary or appropriate to effectuate the performance of the terms of this Agreement.

5. Waiver. No waiver of any default shall constitute a waiver of any other default or breach, whether of the same or other covenant or condition. No waiver, benefit, privilege, or service voluntarily given or performed by a Party shall give the other Party any contractual rights by custom, estoppel, or otherwise.

6. Entire Agreement. This Agreement contains the entire agreement of the parties with respect to the subject matter hereof, and supersedes all prior negotiations, understandings or agreements. This Agreement may only be modified by a writing signed by both parties. No supplement, modification, or amendment of this Agreement shall be binding unless executed in writing and signed by both Parties.

7. Terms and Conditions. Except as herein stated, the terms and conditions of the Trust Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date written above.

**“AUTHORITY”**

Independent Cities Finance Authority

By: \_\_\_\_\_  
Debbie Smith  
Its: Executive Director

**“TRUSTEE”**

Union Bank, N.A.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_



**DRAFT**

INDEPENDENT CITIES FINANCE AUTHORITY  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
JUNE 30, 2012

## INDEPENDENT CITIES FINANCE AUTHORITY

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# ICFA

INDEPENDENT CITIES  
FINANCE AUTHORITY

#### MEMBER CITIES

Alhambra  
Apple Valley  
Azusa  
Baldwin Park  
Beverly Hills  
Bell  
Bellflower  
Brea  
Capitola  
Carpinteria  
Canyon  
Chico  
Claremont  
Colton  
Commerce  
Compton  
Covina  
Downey  
Duarte  
El Monte  
Fairfield  
Fontana  
Fresno  
Garden  
Garden Grove  
Glendale  
Glendora  
Hawthorne  
Hawthorne  
Huntington Park  
Indio  
Inglewood  
La Habra  
La Puente  
Lakewood  
Larocaster  
Larocaster  
Long Beach  
Los Angeles  
Lytlewood  
Moravia  
Montclair  
Montebello  
Monterey Park  
Morgan Hill  
Norwalk  
Oceanside  
Palmdale  
Palm Springs  
Paramount  
Pico Rivera  
Placita Community Services District  
Pomona  
Rancho Cucamonga  
Rialto  
Riverside  
Robnet Park  
Salinas  
San Bernardino  
San Bernardino County  
San Diego County  
San Francisco  
San Juan Capistrano  
San Marcos  
San Mateo County  
Santa Clara  
Santa Rosa  
Signal Hill  
South Gate  
Vernon  
Vista  
West Covina  
Whittier  
Yucaipa

#### BOARD MEMBERS

OFFICERS  
Mike McCormick, President  
Vernon  
Mario Gomez, Vice President  
Huntington Park  
Stephen Aljazeera, Treasurer  
Compton

#### DIRECTORS

Ricardo Pacheco, Baldwin Park  
G Harold Duffey, Compton  
Jim Norton, Lrwood  
Sylvia Estlin, San Francisco  
Cl Hurstado, South Gate  
Secretary/Executive Director  
Dobbie Smith  
General Legal Counsel  
Scott Campbell  
Best Best & Krieger, LLP

September 27, 2013

Honorable W. Michael McCormick, President  
And Members of the Board of Directors  
Independent Cities Finance Authority  
Post Office Box 6740  
Lancaster, California 93539-6740

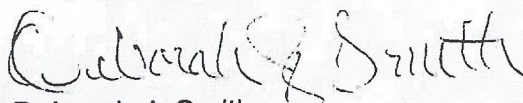
Dear President McCormick and Members of the Board:

Fiscal Year July 1, 2011 through June 30, 2012 was a good year for the Independent Cities Finance Authority (ICFA). The organization benefitted from the addition of mobile home parks in the cities of Yucaipa and Palm Springs, as well as diversification during the fiscal year. The Downey Regional Medical Center financing closed in February, in addition to the financing for the construction of a charter school for Alliance For College-Ready Public Schools, and the purchase of land for the construction of a wastewater treatment plant for the Planada Community Services District.

Financial results for the year were favorable. Net income from operations was \$160,902 on gross revenues of \$516,038. Cash flows were positive (\$69,073) and the net working capital increased to \$479,956 (cash and cash equivalents less payables) vs. \$366,546 at June 30, 2011.

With ICFA's focus on affordable housing, it is believed that ICFA may be at a unique place for further expansion due to the abolishment of redevelopment agencies and given that fact that ICFA is a Joint Powers Authority managed by elected officials.

Respectfully,



Deborah J. Smith  
Program Administrator



ROBERT EICHEL & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors

Independent Cities Finance Authority

We have audited the accompanying financial statements of the business type activities of the Independent Cities Finance Authority, as of and for the year ended June 30, 2012 which comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Independent Cities Finance Authority management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities, of the Independent Cities Finance Authority, as of June 30, 2012, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required information. However, we did not audit the information and express no opinion on it.

*Robert Eichel & Associates*

Pasadena, California

August 31, 2013

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**INDEPENDENT CITIES FINANCE AUTHORITY**  
**BALANCE SHEET**  
**June 30, 2012**

ASSETS

Cash and cash equivalents (Note 2)	\$	531,236
Receivables-		
Accounts		3,696
Accrued interest		37,338
Long term loan secured by subordinated trust deed , net of present value discount (Note 5)		210,328
Total assets	\$	782,598

LIABILITIES AND NET ASSETS

Accounts payable	\$	51,280
Deferred revenues (Notes 3)		10,872
Total liabilities		62,152
Net Assets		720,446
Total liabilities and net assets	\$	782,598

The accompanying notes are an integral part of these financial statements

**INDEPENDENT CITIES FINANCE AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES TO NET ASSETS**  
**Year ended June 30, 2012**

Program fees	\$	516,038
Operating expenses		
Management fees		200,000
Public Relations		9,067
Other Professional Services		
Auditing		20,550
Accounting		5,200
Settlement deposit		2,000
Fees, other		78,333
Legal		22,887
Directors' fees		4,800
Conferences		5,688
Other		6,611
Total operating expenses		<u>355,136</u>
Net income from operations		160,902
Investment income		<u>30,989</u>
Net income for the period		191,891
Net assets beginning of the year		<u>575,099</u>
Restatement relating to present value discount of Millennium note, net of one year's amortization (Note 5)		<u>46,544</u>
As restated		<u>528,555</u>
Net assets end of year	\$	<u><u>720,446</u></u>

The accompanying notes are an integral part of these financial statements



**INDEPENDENT CITIES FINANCE AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**Year ended June 30, 2012**

Cash flows from operating activities	
Cash received from program fees	\$ 542,680
Cash paid to suppliers of services	474,583
Cash receipts from operating activities	<u>68,097</u>
Interest received per computation	7,851
Less non-cash amortization of subordinated loan	<u>(6,875)</u>
Net cash provided by operating activities	69,073
Cash and cash equivalents beginning of the year	<u>462,163</u>
Cash and cash equivalents end of the year:	<u><u>\$ 531,236</u></u>
Cash and cash equivalents defined:	
As reported on the balance sheet, short term investments readily convertible to cash and cash itself	\$ 531,236

The accompanying notes are an integral part of these financial statements

INDEPENDENT CITIES FINANCE AUTHORITY  
Notes to the Financial Statements  
June 30, 2012

(1) Summary of Significant Accounting Policies

(a) The Reporting Entity

The Independent Cities Finance Authority (Authority) is a joint exercise of Powers authority originally set up in 1989 to provide lease financing of capital improvements by member cities. As the objectives of the Authority changed from facilities leasing for cities to affordable housing and other financing activities the original joint powers agreement was modified to provide for associate membership to cities in which projects were located. By 2007 the Authority was completely out of the equipment leasing business, as with having completed the 'Fresh Rate' program. The joint venture with the California Rural Home Mortgage Finance Authority ended in 2008.

In fiscal year ended June 30, 2003, the Authority changed its focus to begin working with non-profit entities to provide affordable housing through mobile home parks. The principal strategy was to provide conduit financing for affordable housing mobile home projects. This strategy would provide for affordable housing while not obligating the Authority to the liabilities, servicing of substantial lease obligations nor payment of interest and principal on the bonded debt. In 2011/2012 the Authority expanded its activities to a community hospital, a charter school and bridge financing for a waste water treatment facility.

(b) Basis of Accounting

The Authority is accounted for as an enterprise fund (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The activities of the enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges. The Authority utilizes the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized as they are incurred.



INDEPENDENT CITIES FINANCE AUTHORITY  
Notes to the Financial Statements  
(Continued)

(1) Summary of Significant Accounting policies, (Continued)

(b) Basis of Accounting

The Authority applies all applicable GASB pronouncements in accounting and reporting for proprietary operations as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB's) of the Committee on Accounting Procedures of the American Institute of Certified Public Accountants.

(c) Classifications of Revenues and Expenses

Operating revenues consist of fees relating to the origination and continuance of the bond issues set up for the purpose of purchasing and equipping the mobile home parks by the non-profit agencies and more recently, other activities. In 2011 a fee of \$75,000 was received to offset costs involved in the reopening of the Downey Regional Medical center. The financing transaction was completed in February, 2012.

Expenses consist primarily of management, professional fees and more recently, marketing. Due to the inability of cities to obtain financing for low and moderate income housing during the recent economic slowdown, and ICFA's ability to do so , ICFA management entered into contracts for representation in both Sacramento and Los Angeles to assist in interfacing with governing bodies. New contracts were entered into for the current year.

(d) Cash and Cash Equivalents

Cash equivalents are defined as cash and short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates, and have an original maturity date of 3 month or less.

(e) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

INDEPENDENT CITIES FINANCE AUTHORITY  
Notes to the Financial Statements  
(Continued)

(1) Summary of Significant Accounting Policies (Continued)

(f) Income Taxes

The Authority is not subject to income taxes pursuant to Section 115 of the Internal Revenue Code and the corresponding section of the California Revenue and Taxation Code.

(g) Name Changed

The Authority's name was changed from the Independent Cities Lease Finance Authority to the Independent Cities Finance Authority executed on May 21, 2008 to better reflect the nature of the Authority's operations. For the sake of clarity the changed name was used for audited financial presentations beginning in 2006.

(2) Cash and Cash Equivalents

Cash and investments as of June 30, 2012 are classified in the accompanying financial statements as follows:

Balance sheet:

Cash in bank:	\$289,922
Investments with Local Agencies Investment Fund (LAIF), an agency of the State of California:	<u>241,314</u>
	<u>\$531,236</u>

LAIF funds are readily available, interest rates are variable and credit risk is not classified. Bank deposits are insured by the Federal Deposit Insurance Corporation up to \$250,000.

(3) Deferred Revenues

Deferred revenues relate to timing issues on payments from the non-profit agency, Caritas Affordable Housing, Inc.



INDEPENDENT CITIES FINANCE AUTHORITY  
Notes to the Financial Statements  
(Continued)

(4) Conduit Debt Issued and Related Mobile Home Parks

As noted in Note 1 beginning in 2003 a program was initiated for the issuance of conduit debt for the payment of purchase cost and development of locations to be used as low and moderate income mobile home parks. The Authority became the issuer, as previously mentioned, and had no financial or managerial responsibilities. In 2012 conduit debt was allocated to purchase and equip a regional hospital and for construction a charter school.

Beginning in 2003 and continuing through 2012 the Authority entered into agreements with Millennium Housing Corporation and its affiliates, Millennium Housing of California and Coach of San Diego, Inc. to finance its acquisition of mobile home parks throughout California as follows:

- A) Westlake Mobile Home Park  
Location: Fresno, California  
Issuance of \$15,180,000 of Revenue Bonds in 2003, refunded and refinanced at \$16,700,000 in June 2007.
- B) El Granada Mobile Home Park, now called Pillar Lodge  
Location: Moss Beach, California  
Issuance of \$28,585,000 of Revenue Bonds
- C) Marineland Mobile Home Park  
Location: Hermosa Beach, California  
Issuance of \$7,270,000 of Revenue Bonds
- D) Hacienda Valley Mobile Estates  
Location: Morgan Hill, California  
Issuance of \$12,235,000 of Revenue Bonds
- E) San Juan Mobile Estates  
Location: San Juan Capistrano, California  
Issuance of \$39,910,000 of Revenue Bonds
- F) Santa Rosa Leisure Mobile Home Park  
Location: Santa Rosa, California  
Issuance of \$10,270,000 of Revenue Bonds
- G) Lamplighter Salinas Mobile Home Park  
Location: Salinas, California  
Issuance of \$22,925,000 of Revenue Bonds

INDEPENDENT CITIES FINANCE AUTHORITY  
Notes to the Financial Statements  
(Continued)

(4) Conduit Debt Issued and Related Mobile Home Parks (Continued)

H) Castle Mobile Estates

Location: Capitola, California

Issuance of \$11,700,000 of Revenue Bonds

I) Rancho del Sol Mobile Home Park

Location at Yucaipa, California

Issuance of \$8,500,000 Revenue Bonds

J) Sahara Mobile Home Park

Location: Palm Springs, California

Issuance of \$16,000,000 of Revenue Bonds

Caritas Affordable Housing Mobile Home Park Revenue Bonds

On October 2, 2003, the Authority issued \$29,750,000 Series 2003A, \$6,350,000 Series Sub 2003B \$3,835,000 Series 2003B to fund loans to Caritas Affordable Housing, Inc. to finance and refinance the acquisition and improvement of five mobile home parks. The Authority is not liable for repayment in the event of default. Accordingly, the bonds are not recorded as a liability of the Authority in the accompanying financial statements. In August, 2005 an additional series of bonds were issued, Series 2005A, \$22,025,000, 2nd 2005CT \$1,245,000, 2nd 2005 C \$5,370,000.

Projects financed through "Caritas" are as followings:

2003

Friendly Village Mobile Home Park, Lancaster, CA, Los Angeles County

Hacienda Mobile Estates, Lancaster, CA, Los Angeles County

Rancho Brea Mobile Home Estates, Brea, CA, Orange County

Estrella del Oro, Vista, CA, San Diego County

Vista Manor Mobile Home Park, Vista, CA, San Diego County

2005

Valley Village Mobile Home Park, Rohnert Park, CA, Sonoma County



INDEPENDENT CITIES FINANCE AUTHORITY  
Notes to the Financial Statements  
(Continued)

(4) Conduit Debt Issued and Related Mobile Home Parks (Continued)

Other:

Financing with these mobile home parks:

- A. Downey Regional Medical Center Hospital, Inc.  
Location: Downey, California  
Issuance of not to exceed \$30,000,000 of Hospital Revenue Bonds
- B. Planada Community Service District  
Location: Planada, California (Merced County)  
Issuance of \$3,200,000 note bridge loan in advance of U.S. Department of Agricultural Financing
- C. Alliance College Ready Public Schools  
Location: Los Angeles, California  
Issuance of not to exceed \$20,000,000 Charter Schools Revenue Bonds

Outstanding conduit debt as of June 30, 2012:

Mobile Home Parks

➤ Millennium group of companies	\$216,975,139
➤ Caritas Affordable Housing, Inc.	<u>\$ 63,980,000</u>
	\$280,955,139

Other:

➤ Downey Regional Medical Center	\$21,465,000
➤ Alliance Charter Schools	\$15,012,675
➤ Planada Community Service District Bridge Loan	\$ 3,175,000
	<u>\$320,607,814</u>

(5) Subordinated secured note to Millennium Housing Corporation, effective July 8, 2010

ICFA loaned to Millennium Housing Corporation \$250,000, interest at 6 percent, secured by a Trust deed subordinated to existing bonded indebtedness to assist in the cost of issuance of the bonds of the Lamplighter Salinas Mobile Home Park. Repayment of interest commences July 15, 2014 with full repayment July 15, 2020.

The note has limited recourse and considering its subordinated position and its payment schedule, it has been discounted at prime rate back to 2010 with annual amortization. Because it was not discounted in year ended June 30, 2011, the transaction has been recorded as a restatement of beginning net assets less year ended June 30, 2011 amortization.

INDEPENDENT CITIES FINANCE AUTHORITY  
Notes to the Financial Statements  
(Continued)

- (6) Under the provisions of an agreement to issue not to exceed \$30,000,000 of conduit revenue Bonds to reorganize the Downey Regional Medical Center, the Authority was paid \$75,000 to help defray the costs. The plan of Reorganization was approved by the U.S. Bankruptcy Court and the securities were issued early in 2012 at a principal amount considerably less than the \$30,000,000 authorized.