

NEW ISSUE - BOOK ENTRY ONLY

(See "RATING" herein)

In the opinion of Harris Beach PLLC, Bond Counsel to the Authority, based on existing statutes, regulations, court decisions and administrative rulings, and assuming compliance with the tax covenants described herein, interest on the 2017 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, and is not an "item of tax preference" for purposes of computing the federal alternative minimum tax imposed on individuals and corporations. Interest on the 2017 Bonds is, however, included in the computation of "adjusted current earnings" for purposes of calculating the federal alternative minimum tax imposed on certain corporations. Bond Counsel is also of the opinion that under existing law, interest on the 2017 Bonds is exempt from Massachusetts personal income taxes and the 2017 Bonds are exempt from Massachusetts personal property taxes. See "TAX MATTERS" in this Placement Memorandum regarding certain other tax considerations.

\$9,630,000

BROCKTON HOUSING AUTHORITY (BROCKTON, MASSACHUSETTS)

Capital Fund Housing Revenue Bonds, Series 2017

Dated: Date of Delivery

Due: January 1
(as shown on inside cover)

The above-referenced bonds (the "2017 Bonds") are issuable only as fully registered bonds, without coupons, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC") and will be available to ultimate purchasers ("Beneficial Owners") under the book-entry only system maintained by DTC through brokers and dealers who are, or act through, DTC Participants. Beneficial Owners will not be entitled to receive physical delivery of the 2017 Bonds. Beneficial ownership of the 2017 Bonds may be acquired in denominations of \$5,000 and integral multiples thereof. Capitalized terms used and not defined shall have the meaning given to such terms in Appendix A hereto.

Interest on the 2017 Bonds is payable semiannually on each January 1 and July 1, commencing January 1, 2018. Principal, redemption price of and interest on the 2017 Bonds will be payable initially to DTC by Wilmington Trust, National Association, as trustee (the "Trustee"). The Bonds are being issued by the Brockton Housing Authority (the "Authority") pursuant to an Indenture of Trust, dated as of June 1, 2017, by and between the Authority and the Trustee (the "Indenture") for the purpose of providing funds to be applied, along with other available amounts, to: (i) prepay the remaining balance of a loan to the Authority by the Massachusetts Housing Finance Agency ("MassHousing") funded with a like par amount of MassHousing's Capital Fund Securitization Revenue Bonds, 2005 Series A, which prepayment will be applied by MassHousing to optionally redeem the outstanding portion of such bonds allocable to the Authority's loan in the principal amount of \$5,335,000; (ii) finance the costs of modernization, renovation and revitalization of certain of the Authority's housing projects, including, without limitation, the renovation, replacement and equipping of certain elevators and fire safety systems at Belair Tower, and site improvements and exterior renovations to various building facilities at Campello High Rise and Hillside Village projects, as well as flooring replacements at numerous sites; (iii) fund the Debt Service Reserve Fund in an amount equal to the Debt Service Reserve Fund Requirement; and (iv) pay certain costs of issuance of the 2017 Bonds. The 2017 Bonds are special limited obligations of the Authority secured by and payable solely from (i) a portion of the Authority's annual allocations of Public Housing Capital Funds, including Replacement Housing Factor Grants and Demolition Transitional Grants, if any (the "Capital Fund Allocations Pledged Amounts"), when received from the United States Department of Housing and Urban Development ("HUD") to the extent necessary to pay debt service on the 2017 Bonds and repay any disbursement from the Debt Service Reserve Fund; and (ii) the moneys held in the Funds established under the Indenture (except funds held in the Rebate Fund) and the investment, if any, thereof and earnings, if any, thereon. The Capital Fund Allocations Pledged Amounts will be paid directly by HUD to the Trustee to the extent necessary to pay debt service on the 2017 Bonds, subject to the availability of annual appropriations by the Congress of the United States of America.

THE 2017 BONDS ARE SUBJECT TO REDEMPTION PRIOR TO MATURITY UNDER CERTAIN CIRCUMSTANCES AS DESCRIBED HEREIN.

THE 2017 BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE AUTHORITY. THE 2017 BONDS WILL NOT CONSTITUTE AN INDEBTEDNESS OR AN OBLIGATION OF THE CITY OF BROCKTON, MASSACHUSETTS (THE "CITY"), THE COMMONWEALTH OF MASSACHUSETTS (THE "COMMONWEALTH") OR ANY POLITICAL SUBDIVISION OF THE COMMONWEALTH WITHIN THE MEANING OF ANY CONSTITUTIONAL LIMITATION OR STATUTORY PROVISION OR A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWER, IF ANY, OF ANY OF THEM. NO OWNER OF THE 2017 BONDS WILL HAVE ANY RIGHT TO COMPEL ANY EXERCISE OF THE TAXING POWER, IF ANY, OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION OF THE COMMONWEALTH TO PAY THE PRINCIPAL OF THE 2017 BONDS, OR THE INTEREST OR REDEMPTION PREMIUM, IF ANY; THEREON. PAYMENT OF THE 2017 BONDS, INCLUDING THE PRINCIPAL THEREOF, REDEMPTION PREMIUM, IF ANY, AND THE INTEREST THEREON, WILL BE MADE SOLELY FROM THE REVENUES DULY PLEDGED THEREFOR AS DESCRIBED IN THIS PLACEMENT MEMORANDUM. THERE WILL BE NO PLEDGE OF ANY OF THE CREDIT OR THE TAXING POWER, IF ANY, OF THE COMMONWEALTH, OR ANY POLITICAL SUBDIVISION OF THE COMMONWEALTH, TO THE OBLIGATIONS OF THE 2017 BONDS AND NO OWNER OF ANY OF THE 2017 BONDS CAN EVER SUBMIT A CLAIM AGAINST ANY SUCH CREDIT OR TAXING POWER. THE AUTHORITY HAS NO TAXING POWER.

THE 2017 BONDS ARE NOT A DEBT OR LIABILITY OF, OR GUARANTEED BY, THE UNITED STATES OF AMERICA OR HUD. THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA IS NOT PLEDGED TO THE PAYMENT OF DEBT SERVICE ON THE 2017 BONDS. THE PAYMENT OF DEBT SERVICE ON THE 2017 BONDS IS NOT GUARANTEED BY THE UNITED STATES OF AMERICA OR HUD. NO ACTION TAKEN PURSUANT TO THE DOCUMENTS DESCRIBED IN THIS PLACEMENT MEMORANDUM SHALL RESULT IN ANY LIABILITY TO THE FEDERAL GOVERNMENT OF THE UNITED STATES OF AMERICA OR ANY PART THEREOF.

The 2017 Bonds are offered for delivery when, as and if issued by the Authority and accepted on behalf of the original purchaser or purchasers by the Placement Agent (as defined below), subject to the approval of legality by Harris Beach PLLC, Rochester, New York, Bond Counsel. Beekman Securities, Inc. has acted as placement agent (the "Placement Agent") in connection with the sale of the 2017 Bonds. Certain legal matters will be passed upon for the Placement Agent by its counsel, Buchanan, Ingersoll & Rooney PC, New York, New York; and for the Authority by its counsel, Sims & Sims, LLP, Brockton, Massachusetts.

BEEKMAN SECURITIES, INC.

June 13, 2017

MATURITY SCHEDULE
\$9,630,000
BROCKTON HOUSING AUTHORITY
CAPITAL FUND HOUSING REVENUE BONDS, SERIES 2017
SERIAL BONDS

| <u>Maturity</u> <u>(January 1)</u> | <u>Principal</u> <u>Amount</u> | <u>Interest Rate</u> | <u>Price</u> | <u>CUSIP</u> ¹ |
|---------------------------------------|-----------------------------------|----------------------|--------------|---------------------------|
| 2018 | \$505,000 | 1.05% | 100% | 11174R AA5 |
| 2019 | 380,000 | 1.15 | 100 | 11174R AB3 |
| 2020 | 385,000 | 1.30 | 100 | 11174R AC1 |
| 2021 | 390,000 | 1.50 | 100 | 11174R AD9 |
| 2022 | 395,000 | 1.75 | 100 | 11174R AE7 |
| 2023 | 400,000 | 2.25 | 100 | 11174R AF4 |
| 2024 | 410,000 | 2.75 | 100 | 11174R AG2 |
| 2025 | 420,000 | 2.90 | 100 | 11174R AH0 |
| 2026 | 435,000 | 3.10 | 100 | 11174R AJ6 |
| 2027 | 450,000 | 3.25 | 100 | 11174R AK3 |
| 2028 | 460,000 | 3.40 | 100 | 11174R AL1 |
| 2029 | 480,000 | 3.50 | 100 | 11174R AM9 |
| 2030 | 495,000 | 3.65 | 100 | 11174R AN7 |
| 2031 | 515,000 | 3.75 | 100 | 11174R AP2 |
| 2032 | 530,000 | 3.80 | 100 | 11174R AQ0 |
| 2033 | 550,000 | 3.80 | 100 | 11174R AR8 |
| 2034 | 575,000 | 3.85 | 100 | 11174R AS6 |
| 2035 | 595,000 | 3.85 | 100 | 11174R AT4 |
| 2036 | 620,000 | 3.90 | 100 | 11174R AU1 |
| 2037 | 640,000 | 3.90 | 100 | 11174R AV9 |

¹CUSIP® is a registered trademark of the American Bankers Association. The CUSIP Numbers have been assigned by an independent company not affiliated with the Placement Agent and are included solely for the convenience of the holders of the 2017 Bonds. Neither the Placement Agent, nor the Authority is responsible for the selection or uses of the CUSIP numbers, and no representation is made as to their correctness on the 2017 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2017 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2017 Bonds.

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE OR MAINTAIN THE PRICE OF THE SECURITIES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET, OR OTHERWISE AFFECT THE PRICE OF THE SECURITIES OFFERED HEREBY, INCLUDING OVER ALLOTMENT AND STABILIZING TRANSACTIONS. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

NO DEALER, BROKER, SALES PERSON OR OTHER PERSON IS AUTHORIZED IN CONNECTION WITH ANY OFFERING MADE HEREBY TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION OTHER THAN AS CONTAINED HEREIN, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE AUTHORITY OR THE PLACEMENT AGENT. THIS PLACEMENT MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY OF THE SECURITIES OFFERED HEREBY BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH AN OFFER OR SOLICITATION.

THERE IS CURRENTLY A LIMITED SECONDARY MARKET FOR SECURITIES SUCH AS THE 2017 BONDS. THERE CAN BE NO ASSURANCE THAT A SECONDARY MARKET FOR THE 2017 BONDS WILL CONTINUE FOR THE LIFE OF THE 2017 BONDS.

This Placement Memorandum has been prepared by the Authority and contains information available from HUD and other sources, all of which are believed to be reliable. Such information herein is not guaranteed as to accuracy or completeness, and is not to be construed as representation by any of such source as to the information from any other source. The information concerning the Public Housing Capital Fund Program has been obtained from certain publicly available information provided by certain participants and certain other sources. See "THE PUBLIC HOUSING CAPITAL FUND PROGRAM" herein.

The order and placement of materials in this Placement Memorandum, including the appendices, are not to be deemed a determination of relevance, materiality or importance, and this Placement Memorandum, including the appendices, must be considered in its entirety. The captions and headings in this Placement Memorandum are for convenience only and in no way define, limit or describe the scope or intent, or affect the meaning or construction, of any provisions or sections of this Placement Memorandum. The offering of the 2017 Bonds is made only by means of this entire Placement Memorandum.

The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Placement Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date hereof or that the information contained herein is correct as of any date subsequent to the date hereof. Such information and expressions of opinion are made for the purpose of providing information to prospective investors and are not to be used for any other purpose or relied on by any other party.

The Placement Agent has provided the following sentence for inclusion in this Placement Memorandum. The Placement Agent has reviewed the information in this Placement Memorandum in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Placement Agent does not guarantee the accuracy or completeness of such information.

This Placement Memorandum contains forecasts, projections and estimates that are based on current expectations or assumptions. In light of the important factors that may materially affect the amount of Capital Fund Allocation (see “RISKS TO THE BONDHOLDERS” and “THE PUBLIC HOUSING CAPITAL FUND PROGRAM” herein), the inclusion in this Placement Memorandum of such forecasts, projections and estimates should not be regarded as a representation by the Authority or the Placement Agent that such forecasts, projections and estimates will occur. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results.

The following statements are made as contemplated by the provisions of the Private Securities Litigation Reform Act of 1995: If and when included in this Placement Memorandum, the words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates,” “assumes” and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such risks and uncertainties include, among others, regulatory initiatives, acts of Congress and compliance with governmental regulations, litigation and various other events, conditions and circumstances, many of which are beyond the control of the Authority. These forward-looking statements speak only as of the date of this Placement Memorandum. The Authority disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Authority’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

THE 2017 BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED AND THE INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON SPECIFIC EXEMPTIONS CONTAINED IN SUCH ACTS. THE 2017 BONDS MAY, HOWEVER, BE SUBJECT TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF VARIOUS STATES, AND MAY NOT BE TRANSFERRED IN VIOLATION OF SUCH STATE LAWS. THE REGISTRATION OR QUALIFICATION OF THE 2017 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF THE STATES IN WHICH THE 2017 BONDS HAVE BEEN REGISTERED OR QUALIFIED, IF ANY, AND EXEMPT FROM REGISTRATION OR QUALIFICATION IN OTHER STATES, SHALL NOT BE REGARDED AS A RECOMMENDATION THEREOF. NO STATE NOR ANY STATE OR FEDERAL AGENCY HAS PASSED UPON THE MERITS OF THE 2017 BONDS OR THE ACCURACY OR COMPLETENESS OF THIS PLACEMENT MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THIS PLACEMENT MEMORANDUM DOES NOT CONSTITUTE A RECOMMENDATION, EXPRESSED OR IMPLIED, TO PURCHASE THE 2017 BONDS OR ANY OTHER BONDS OF THE AUTHORITY. REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THIS PLACEMENT MEMORANDUM DOES NOT CONSTITUTE A RECOMMENDATION, EXPRESSED OR IMPLIED, TO PURCHASE THE 2017 BONDS OR ANY OTHER BONDS OF THE AUTHORITY.

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PLACEMENT MEMORANDUM

relating to

\$9,630,000

BROCKTON HOUSING AUTHORITY (BROCKTON, MASSACHUSETTS) CAPITAL FUND HOUSING REVENUE BONDS, SERIES 2017

INTRODUCTION

This Placement Memorandum (including the cover page, inside front cover, appendices hereto and the documents incorporated herein by reference), provides certain information relating to the sale by the Brockton Housing Authority (the “Authority”), located in the City of Brockton, Massachusetts (the “City”) of its \$9,630,000 Capital Fund Housing Revenue Bonds, Series 2017 (the “2017 Bonds”). The 2017 Bonds are being issued pursuant to an Indenture of Trust (the “Indenture”), dated as of June 1, 2017, by and between the Authority and Wilmington Trust, National Association, as trustee (the “Trustee”). Terms used in this Placement Memorandum, if not defined when first used, have the meanings given to them in Appendix A hereto.

The 2017 Bonds are being issued to provide funds to be applied, together with other available amounts, to: (i) prepay the remaining balance of a loan to the Authority by the Massachusetts Housing Finance Agency (“MassHousing”) funded with a like par amount of MassHousing’s Capital Fund Securitization Revenue Bonds, 2005 Series A (the “2005 MassHousing Bonds”) (See “PLAN OF FINANCE” herein), which prepayment will be applied by MassHousing to optionally redeem the outstanding portion of such bonds allocable to the Authority’s loan in the principal amount of \$5,335,000; (ii) finance the costs of modernization, renovation and revitalization of certain of the Authority’s housing projects, including, without limitation, the renovation, replacement and equipping of certain elevators and fire safety systems at Belair Tower, and site improvements and exterior renovations to various building facilities at Campello High Rise and Hillside Village projects, as well as flooring replacement at numerous sites; (iii) fund the Debt Service Reserve Fund in an amount equal to the Debt Service Reserve Fund Requirement; and (iv) pay certain costs of issuance of the 2017 Bonds.

The 2017 Bonds are special limited obligations of the Authority secured by and payable solely from (i) the Authority Revenues consisting primarily of a portion of the Authority’s annual allocations of Public Housing Capital Funds, including Replacement Housing Factor Grants and Demolition Disposition Transitional Grants, if any (the “Capital Fund Allocations”) when received from the United States Department of Housing and Urban Development (“HUD”) pursuant to the Public Housing Capital Fund Program (the “Capital Fund Program”) to the extent necessary to pay debt service on the 2017 Bonds and repay any disbursement from the Debt Service Reserve Fund (the “Capital Fund Allocations Pledged Amounts”) and (ii) the moneys held in the Funds established under the Indenture (except funds held in the Rebate Fund) and the investment, if any, thereof and earnings, if any, thereon. (See “THE PUBLIC HOUSING CAPITAL FUND PROGRAM,” herein.) HUD has agreed to make payments of Capital Fund Allocations Pledged Amounts directly to the Trustee rather than to the Authority. The Authority will assign its rights in the Capital Fund Allocations Pledged Amounts to the Trustee to the extent necessary to pay debt service on all 2017 Bonds Outstanding under the Indenture pursuant to a Pledge and Security Agreement, dated as of June 1, 2017, by and between the Authority and the Trustee (the “Pledge Agreement”). The faith and credit of the Authority is not pledged for the payment of the principal, interest on or redemption price of the 2017 Bonds.

HUD has approved the issuance of the 2017 Bonds and authorized the Authority to pledge and assign a portion of its Capital Fund Allocations to the payment of the 2017 Bonds pursuant, and subject, to a letter from HUD to the Authority dated May 23, 2017 (the “HUD Approval Letter”), a copy of

which is attached hereto as Appendix B. The Authority receives funding from HUD pursuant to an Annual Contributions Contract (the “ACC”). HUD and the Authority have entered into a Capital Fund Financing Amendment to the ACC (the “ACC Financing Amendment”) that provides generally for the use of its Capital Fund Allocations Pledged Amounts to pay principal of and interest on the 2017 Bonds.

The ACC Financing Amendment is attached hereto as Appendix C. See “THE PUBLIC HOUSING CAPITAL FUND PROGRAM” – “HUD Approval Letter” and “ACC Financing Amendment” herein.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the 2017 Bonds. The 2017 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s nominee). One fully registered 2017 Bond certificate will be issued for each maturity of the 2017 Bonds, each in a principal amount equal to the aggregate principal amount of such maturity, and will be deposited with DTC. Individual purchases may be made in book-entry form only, in denominations of \$5,000 and integrals thereof within a maturity. See “BOOK-ENTRY ONLY SYSTEM” herein.

Brief descriptions of the Authority, the security for the 2017 Bonds, including the Authority’s Capital Fund Allocations, the 2017 Bonds, the Indenture, the HUD Approval Letter and the ACC Financing Amendment are included in this Placement Memorandum. All references herein to the Indenture, the HUD Approval Letter, the ACC Financing Amendment and other documents and agreements are qualified in their entirety by reference to such documents and agreements, copies of which are available for inspection at the offices of the Trustee.

Certain capitalized terms not defined in the body of this Placement Memorandum are defined in Appendix A - “SUMMARY OF CERTAIN DEFINITIONS AND OF CERTAIN PROVISIONS OF THE INDENTURE AND THE PLEDGE AGREEMENT” All other capitalized terms used but not defined herein have the meaning ascribed to them in the Indenture.

THE 2017 BONDS

General

The 2017 Bonds will be issued in the aggregate principal amount of \$9,630,000. The 2017 Bonds will mature as stated on the inside front cover page of this Placement Memorandum. Interest is payable on the 2017 Bonds on each January 1 and July 1 (each an “Interest Payment Date”), commencing January 1, 2018. The 2017 Bonds are issuable as fully registered bonds without coupons in Authorized Denominations. Upon satisfaction of certain conditions as specified in the Indenture, the Authority may issue Additional Bonds secured on a parity basis with the 2017 Bonds. See “ADDITIONAL BONDS” herein.

The principal of and premium, if any, on the 2017 Bonds shall be payable upon the presentation and surrender of the 2017 Bonds as the same shall become due and payable at the principal office of the Trustee as Paying Agent. Payment of the interest on each 2017 Bond shall be made by the Paying Agent by check or draft mailed to the Bond owner thereof as of the Record Date, at the address shown on the registration books kept by the Trustee, as Paying Agent. One fully registered 2017 Bond will be issued in the name of Cede & Co., as nominee of DTC, as registered owner of all 2017 Bonds. See “BOOK-ENTRY ONLY SYSTEM” herein. Beneficial ownership of the 2017 Bonds may be acquired in denominations of \$5,000 and integral multiples thereof.

THE 2017 BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE AUTHORITY. THE 2017 BONDS WILL NOT CONSTITUTE AN INDEBTEDNESS OR AN OBLIGATION OF THE CITY, THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION OF THE COMMONWEALTH WITHIN THE MEANING OF ANY CONSTITUTIONAL LIMITATION OR STATUTORY PROVISION OR A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWER, IF ANY, OF ANY OF THEM.

NO OWNER OF THE 2017 BONDS WILL HAVE ANY RIGHT TO COMPEL ANY EXERCISE OF THE TAXING POWER, IF ANY, OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION OF THE COMMONWEALTH TO PAY THE PRINCIPAL OF THE 2017 BONDS, OR THE INTEREST OR REDEMPTION PREMIUM, IF ANY, THEREON. PAYMENT OF THE 2017 BONDS, INCLUDING THE PRINCIPAL THEREOF, REDEMPTION PREMIUM, IF ANY, AND THE INTEREST THEREON, WILL BE MADE SOLELY FROM THE FUNDS AND OBLIGATIONS DULY PLEDGED THEREFOR AS DESCRIBED IN THIS PLACEMENT MEMORANDUM. THERE WILL BE NO PLEDGE OF ANY OF THE CREDIT OR THE TAXING POWER, IF ANY, OF THE COMMONWEALTH, OR ANY POLITICAL SUBDIVISION OF THE COMMONWEALTH, INCLUDING THE CITY, TO THE OBLIGATIONS OF THE 2017 BONDS AND NO OWNER OF ANY OF THE 2017 BONDS CAN EVER SUBMIT A CLAIM AGAINST ANY SUCH CREDIT OR TAXING POWER. THE AUTHORITY HAS NO TAXING POWER.

THE 2017 BONDS ARE NOT A DEBT OR LIABILITY OF, OR GUARANTEED BY, THE UNITED STATES OF AMERICA OR HUD. THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA IS NOT PLEDGED TO THE PAYMENT OF DEBT SERVICE ON THE 2017 BONDS. THE PAYMENT OF DEBT SERVICE ON THE 2017 BONDS IS NOT GUARANTEED BY THE UNITED STATES OF AMERICA OR HUD.

THE 2017 BONDS ARE NOT SECURED DIRECTLY OR INDIRECTLY BY ANY COLLATERAL IN THE ANY OF THE AUTHORITY'S HOUSING PROJECTS.

REDEMPTION OF THE 2017 BONDS

Optional Redemption

The 2017 Bonds maturing on or after January 1, 2028 are subject to redemption prior to maturity beginning on January 1, 2027, at the option (and upon the written direction) of the Authority, in whole, at any time, or in part on any Interest Payment Date, occurring on or after the dates set forth below, at the Redemption Prices (with a premium expressed as a percentage of the principal amount to be redeemed) set forth below plus accrued interest to the redemption date as follows:

| Redemption Dates (both dates inclusive) | <u>Redemption Price</u> |
|--|--------------------------------|
| January 1, 2027 through December 31, 2027 | 103% |
| January 1, 2028 through December 31, 2028 | 102 |
| January 1, 2029 through December 31, 2029 | 101 |
| January 1, 2030 and thereafter | 100 |

Special and Extraordinary Mandatory Redemption

Insurance and Condemnation Proceeds. The 2017 Bonds shall be subject to special mandatory redemption prior to maturity at any time at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption, as soon as practicable, in whole or in part as a result of proceeds from insurance or condemnation resulting from the damage, destruction or condemnation of all or a part of the Project being deposited to the Redemption Fund pursuant to Section 5.7 of the Indenture.

Authority Action. The 2017 Bonds shall be subject to special mandatory redemption from Capital Fund Allocations and from moneys on deposit in the funds and accounts of the Indenture prior to maturity at any time at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption, as soon as practicable, in whole or in part as a result of any independent action of the Authority which would result in a decrease in its Capital Fund Allocations and a corresponding negative change in the Rating Category then assigned to the 2017 Bonds to the extent necessary to maintain the pre-action Rating Category assigned to the 2017 Bonds.

Required HUD/Federal Action. The 2017 Bonds shall be subject to special mandatory redemption from Capital Fund Allocations and from moneys on deposit in the funds and accounts of the Indenture prior to maturity at any time at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption, as soon as practicable, in whole or in part as a result of any action of the Authority required by HUD or the Federal Public Housing Requirements which would result in a decrease in Capital Fund Allocations to the Authority and a corresponding negative change in the Rating Category then assigned to the 2017 Bonds to the extent necessary to regain the pre-action Rating Category assigned to the 2017 Bonds. Notwithstanding the foregoing, no special mandatory redemption shall be required under this paragraph if the Authority has less than 200% coverage of the remaining average Annual Debt Service from Capital Fund Allocations at the time of any action required by HUD or any Federal Public Housing Requirement or to the extent that the cost of such special mandatory redemption would cause the Authority to have less than 200% coverage of the remaining average Annual Debt Service on the Bonds from remaining Capital Fund Allocations.

Extraordinary Mandatory Redemption. The 2017 Bonds shall be subject to extraordinary mandatory redemption as set forth below in whole or in part, by random selection within a maturity from maturities selected by the Authority, from any moneys remaining in the Construction Fund representing undisbursed 2017 Bond proceeds, at a Redemption Price which is equal to the sum of the present value of the remaining payments of principal and interest on such Series 2017 Bonds discounted to the date of such extraordinary mandatory redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) using the interest rate of the 2017 Bonds to be redeemed as stated on the inside cover page of the Placement Memorandum assuming (i) for the 2017 Bonds originally priced greater than 100% of par, that principal is received at the earlier of its scheduled maturity or January 1, 2027 and (ii) for the 2017 Bonds originally priced at or less than 100% of par, that principal is received at its scheduled maturity:

Redemption Date

Two (2) years from the Dated Date

Redemption Amount

An amount such that the unobligated moneys remaining in the Construction Fund after such redemption shall not exceed 10% of the moneys deposited in the Construction Fund on the Dated Date.

Four (4) years from the Dated Date

An amount equal to all unexpended moneys remaining in the Construction Fund.

Selection of 2017 Bonds for Redemption

The 2017 Bonds will be redeemed only in Authorized Denominations. In the event of a redemption of less than all 2017 Bonds, the 2017 Bonds shall be selected for redemption by the Trustee, by random selection, first from 2017 Bonds subject to such redemption (other than 2017 Bonds owned of record by the Authority) and, second, from 2017 Bonds owned of record by the Authority subject to such redemption, if any.

Notice of Redemption

At least 30 days but not more than 60 days before the redemption date of any 2017 Bonds, whether such redemption is in whole or in part, the Trustee shall cause a notice of any such redemption signed by the Trustee to be mailed, postage prepaid, to HUD and all Owners of the 2017 Bonds to be redeemed in whole or in part. Failure to mail any such notice to any Owner or any defect in any notice so mailed will not affect the validity of the proceedings for the redemption of the 2017 Bonds of any other Owners. Each such notice shall set forth (i) the date for redemption, (ii) the Redemption Price to be paid, (iii) the portion of the principal amount and the identity of the 2017 Bonds to be redeemed if less than all of the 2017 Bonds are to be redeemed (specifying the CUSIP numbers, if any, assigned to such 2017 Bonds to be redeemed) and (iv) state that on the redemption date, the 2017 Bonds called for redemption will be payable at the principal office of the Trustee from the funds deposited with the Trustee for such purpose, and that from that date, interest will cease to accrue. If any 2017 Bond is to be redeemed in part only, the notice of redemption shall also state that on or after the redemption date, on surrender of such 2017 Bond, a new Bond in principal amount equal to the unredeemed portion of such 2017 Bond will be issued. So long as DTC or its nominee is the sole Owner of the 2017 Bonds under DTC's "Book-Entry Only System," redemption notices will be sent to Cede & Co.

If at the time of mailing of notice of an optional redemption there shall not have been deposited with the Trustee moneys sufficient to redeem all the 2017 Bonds called for redemption, such notice may state that it is conditioned upon the deposit with the Trustee on or prior to the redemption date of moneys sufficient to pay the redemption price of the 2017 Bonds to be redeemed plus interest, if any, accrued thereon to the date of redemption, and such notice shall be of no effect (and the redemption shall not occur) unless such moneys are so deposited.

Registration, Transfer and Exchange

So long as the Book-Entry Only System is continued, transfers and exchanges will be effectuated as described herein under the caption "BOOK-ENTRY ONLY SYSTEM."

Wilmington Trust, National Association has been appointed as Trustee and Paying Agent under the Indenture. The Paying Agent shall maintain and keep, at its principal corporate trust office, books for the registration and transfer of the 2017 Bonds; and, upon presentation thereof for such purpose at such office, the Paying Agent shall register or cause to be registered, and permit to be transferred, under such reasonable regulations as the Paying Agent may prescribe, any 2017 Bond entitled to registration or transfer. So long as any of the 2017 Bonds remain Outstanding, the Paying Agent shall make all necessary provisions to permit the exchange of such 2017 Bonds at its principal corporate trust office.

Each 2017 Bond shall be transferable only upon the books of the Authority which shall be kept for that purpose at the principal corporate trust office of the Paying Agent upon surrender thereof at such office, together with a written instrument of transfer satisfactory to the Paying Agent and such other documents as shall be reasonably required by the Paying Agent duly executed by the Bondowner or his duly authorized attorney. Upon the transfer of any such 2017 Bond, the Paying Agent shall issue in the name of the transferee, a new 2017 Bond of the same aggregate principal amount, maturity and interest rate as the surrendered 2017 Bond.

In all cases in which the privilege of exchanging or transferring is exercised, the Paying Agent shall authenticate and deliver 2017 Bonds in accordance with the provisions of the Indenture. All 2017 Bonds surrendered in any such exchanges or transfers shall forthwith be canceled by the Paying Agent. For every such exchange or transfer of 2017 Bonds, whether temporary or definitive, the Authority, the Paying Agent or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer, which sum or sums shall be paid by the Person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. The Paying Agent shall not be obliged to make any such exchange or transfer of 2017 Bonds, during the period from each Record Date to the following Interest Payment Date or, in the case of a proposed redemption of 2017 Bonds if such 2017 Bonds are eligible to be selected or have been selected for redemption, during the forty five (45) days next preceding the date fixed for such redemption.

So long as the 2017 Bonds are held in book-entry form by DTC, all redemptions shall be made pursuant to DTC's procedures as in effect from time to time and neither the Authority, the Trustee nor the Paying Agent shall have any responsibility for or liability with respect to the implementation of such procedures.

ADDITIONAL BONDS

The Authority may authorize Additional Bonds on a parity with the 2017 Bonds under the terms and conditions of the Indenture, including the prior approval of HUD and subject to the confirmation of the then existing ratings on the Outstanding Bonds and the Additional Bonds. Additional Bonds shall be on parity 2017 Bonds and shall be in the form described, shall bear interest and shall be dated as provided for in the Supplemental Indenture authorizing the issuance thereof; provided such terms and conditions are not inconsistent with the terms of the Indenture.

BOOK-ENTRY ONLY SYSTEM

DTC will act as securities depository for the 2017 Bonds. The 2017 Bonds will be issued as fully-registered securities, registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2017 Bond certificate will be issued for each maturity of the 2017 Bonds, in the aggregate principal amount of such maturity of the 2017 Bonds, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates post-trade settlement among Direct Participants of sales and other securities transactions, in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the 2017 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2017 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2017 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2017 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2017 Bonds, except in the event that use of the book-entry system for the 2017 Bonds is discontinued.

To facilitate subsequent transfers, all 2017 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2017 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2017 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2017 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the 2017 Bonds within a stated maturity are being redeemed, DTC's practice is to determine by lot the amount of interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2017 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2017 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the 2017 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee on a payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the paying agent, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2017 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, 2017 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2017 Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable; however, the Authority takes no responsibility for the accuracy thereof.

NEITHER THE AUTHORITY, THE PLACEMENT AGENT NOR THE TRUSTEE SHALL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A BONDHOLDER WITH RESPECT TO EITHER: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION OR PURCHASE PRICE OF OR INTEREST ON THE 2017 BONDS; (3) THE DELIVERY OR THE TIMELINESS OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO THE OWNER OF THE 2017 BONDS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

The Authority and the Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the 2017 Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, of, or interest on, the 2017 Bonds, giving any notice permitted or required to be given to registered owners under the Indenture, registering the transfer of the 2017 Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. The Authority and the Trustee shall not have any responsibility or obligation to any Direct or Indirect Participant, any person

claiming a beneficial ownership interest in the 2017 Bonds under or through DTC or any Direct or Indirect Participant, or any other person which is not shown on the registration books of the Authority (kept by the Trustee) as being a registered owner, with respect to the accuracy of any records maintained by DTC or any Direct or Indirect Participant; the payment by DTC or any Direct or Indirect Participant of any amount in respect of the principal, redemption premium, if any, or interest on the 2017 Bonds; any notice which is permitted or required to be given to registered owners thereunder or under the conditions to transfers or exchanges adopted by the Authority; or other action taken by DTC as registered owner. Interest, redemption premium, if any, and principal will be paid by the Trustee to DTC, or its nominee. Disbursement of such payments to the Direct or Indirect Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the Direct or Indirect Participants.

Discontinuation of Book-Entry-Only System

As stated above, the book-entry-only system described above may be discontinued at any time if either: (a) DTC determines to resign as securities depository for the 2017 Bonds; or (b) the Authority determines that the continuation of the system of book-entry transfers through DTC (or through a successor securities depository), is not in the best interests of the beneficial owners of the 2017 Bonds or the Authority. In either of such events (unless the Authority appoints a successor securities depository) the 2017 Bonds will be delivered in registered certificate form to such persons and in such maturities and principal amounts as may be designated in writing by DTC, without any liability on the part of the Authority or the Trustee for the accuracy of such designation.

Transfer and Exchange Upon Discontinuation of Book-Entry-Only System; Replacement Bonds

The Trustee will be required to maintain at its principal office a register, in which, subject to such reasonable regulations as it may prescribe, the Trustee will provide for the registration and transfer of 2017 Bonds. The Authority, the Trustee, the Paying Agent and any other person shall treat the person in whose name any 2017 Bond is registered as the absolute Bondholder of such 2017 Bond for the purpose of making and receiving payment of the principal or purchase price thereof, interest and premium, if any, thereon and neither the Authority, the Trustee nor the Paying Agent shall be bound by any notice or knowledge to the contrary.

SECURITY FOR THE 2017 BONDS

Pledge Under the Indenture

Under the Indenture, the Authority will grant to the Trustee a security interest in all of the right, title and interest of the Authority in and to: (i) the Authority Revenues, which consist of all amounts payable to the Trustee for deposit into the Funds created under the Indenture, including (1) any amounts deposited in the Debt Service Fund from the proceeds of the bonds or obligations of the Authority issued to refund the 2017 Bonds and (2) the Capital Fund Allocations Pledged Amounts payable to the Authority or the Trustee under the HUD Approval Letter and the ACC Financing Amendment and (ii) the funds held in the Funds established under the Indenture (except funds held in the Rebate Fund) and the investment, if any, thereof and earnings, if any, thereon.

The Authority shall execute and deliver, and present to HUD for execution and delivery, as soon as Capital Fund Program moneys are legally available and the Authority may legally request such moneys, an "Amendment to Consolidated Annual Contributions Contract" directing HUD to pay to the Trustee from Capital Fund Program moneys available to the Authority in the current fiscal year an

amount equal to the aggregate of the deposits and payments required to be made by the Authority pursuant to the Indenture on January 1 of the next succeeding calendar year and on July 1 of the calendar year next succeeding such January 1 bond payment date. Such amounts shall be required to be paid to the Trustee no later than three (3) business days prior to each Interest Payment Date. See “THE PUBLIC HOUSING CAPITAL FUND PROGRAM” – “HUD Approval Letter” and “ACC Financing Amendment” herein.

Debt Service Reserve Fund

Under the Indenture, the Authority is required to maintain on deposit in the Debt Service Reserve Fund an amount equal to the Debt Service Reserve Fund Requirement, which is an amount equal to one-half of the maximum annual debt service requirements on all 2017 Bonds Outstanding and payable in any future year. If at any time for any reason, the funds held in the Debt Service Fund are insufficient to pay when due, the principal of or interest on the 2017 Bonds, the Trustee is authorized to withdraw from the Debt Service Reserve Fund to pay principal and interest on the 2017 Bonds. See APPENDIX A -- “SUMMARY OF CERTAIN DEFINITIONS AND CERTAIN PROVISIONS OF THE INDENTURE AND THE PLEDGE AGREEMENT.”

Parity and Subordination Provisions

All bonds issued under the Indenture and any supplemental indenture, including Additional Bonds, shall be issued on a parity basis with the 2017 Bonds and shall be equally and ratably secured by the pledge provided by the Indenture of Capital Fund Allocations Pledged Amounts.

PLAN OF FINANCE

The 2017 Bonds are being issued to provide funds to be applied, together with other available amounts, to: (i) prepay the remaining balance of a loan to the Authority by MassHousing, together with interest on such sum and fees and expenses relating to such prepayment, as described in the following paragraph; (ii) finance the costs of modernization, renovation and revitalization of certain of the Authority’s housing projects, including, without limitation, the renovation, replacement and equipping of certain elevators and fire safety systems at Belair Tower, and site improvements and exterior renovations to various building facilities at Campello High Rise and Hillside Village projects, as well as flooring replacements at numerous sites; (iii) fund the Debt Service Reserve Fund in an amount equal to the Debt Service Reserve Fund Requirement; and (iv) pay certain costs of issuance of the 2017 Bonds.

Upon execution and delivery of the 2017 Bonds, a portion of the proceeds thereof in the amount of \$3,999,107.61 will be applied together with other funds in the aggregate amount of \$1,442,736.45 available to the Authority to prepay the remaining \$5,335,000 principal balance of the loan to the Authority by MassHousing funded with a like par amount of the 2005 MassHousing Bonds, together with interest on such principal balance in the amount of \$106,844.06, which prepayment will be applied by Wells Fargo Bank, N.A., as trustee for the holders of the 2005 MassHousing Bonds (the “2005 MassHousing Bond Trustee”), on behalf of MassHousing, to redeem the outstanding portion of such 2005 MassHousing Bonds allocable to its loan to the Authority.

SOURCES AND USES OF FUNDS

Sources of Funds

| | |
|---|-------------------------------|
| Par Amount of 2017 Bonds | \$ 9,630,000.00 |
| 2005 MassHousing Bonds Loan Fund ¹ | 589,854.00 |
| 2005 MassHousing Bonds Revenue Fund ¹ | 292.78 |
| 2005 MassHousing Bonds Cap Fees Acc't ¹ | 50,963.96 |
| 2005 MassHousing Bonds Liquidity Acc't ¹ | 785,871.00 |
| 2005 MassHousing Bonds: investment interest | <u>15,754.71</u> |
| Total | <u>\$11,072,736.45</u> |

Uses of Funds

| | |
|---|-------------------------------|
| To 2005 MassHousing Bond Trustee--principal | \$ 5,335,000.00 |
| To 2005 MassHousing Bond Trustee--interest | 106,844.06 |
| Deposit to Project Fund | 4,872,902.97 |
| Deposit to 2017 Bonds Debt Service Reserve Fund | 334,835.00 |
| Costs of Issuance ² | <u>423,154.42</u> |
| Total | <u>\$11,072,736.45</u> |

¹share of the respective funds and accounts attributable to the portion of the 2005 MassHousing Bonds relating to the loan to the Authority

²Placement Agent's fee, certain legal fees, trustees fees and miscellaneous other fees and expenses, including fees and expenses of MassHousing and the 2005 MassHousing Bond Trustee

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THE AUTHORITY

The Authority is a housing authority of the Commonwealth of Massachusetts and is duly organized and existing under Chapter 121B of the Massachusetts General Laws, as amended, known as the Housing and Urban Renewal Law (the “Act”), with offices at 45 Goddard Road, Brockton, Massachusetts 02403. The Authority currently operates nine public housing developments that include 1,626 public housing units in facilities and buildings owned by the Authority (323 units for families and 1303 units for elderly people). The total population of the developments owned, operated and managed by the Authority is approximately 1,626 households. The Authority administers Section 8 certificates and vouchers to provide rental subsidies to individuals residing in privately-owned housing to approximately 1,877 households.

As provided in the Act, the governing of the Authority is a five-member Board of Commissioners, four of whom are appointed by the Mayor of the City, subject to confirmation by the City Council. The fifth member is appointed by the Governor of Massachusetts. One of the four mayoral appointees must be a resident of the City and a representative of organized labor, and another shall be a tenant in a building owned and operated by or on behalf of the Authority.

The current members of the Board of Commissioners of the Authority are:

Timothy J. Sullivan, Chairman. Term as Chairman expires on June 16, 2017. Term as member expires on February 28, 2017. Mr. Sullivan is a retired labor representative of the Brockton Area Transit Authority. He has been Chairman of the Board of Commissioners since 2006, and a member of the Board since 1996. Mr. Sullivan is a mayoral appointee to the Board, and is the representative of organized labor.

Ernest Pettiford, Vice Chairman. Term as Vice Chairman expires on June 16, 2017. Term as member expires on March 28, 2017. Mr. Pettiford is a retired contractor. Mr. Pettiford is a mayoral appointee to the Board, has been Vice Chairman of the Board of Commissioners since 2005, and a member of the Board since 1997.

David Teixeira, Treasurer. Term as Treasurer expires June 16, 2017. Term as member expires on March 1, 2020. Mr. Teixeira is a self-employed businessman in the City of Brockton. Mr. Teixeira is a mayoral appointee to the Board, has been Treasurer of the Authority since 2016, and a member of the Board of Commissioners since 2015.

Sandra Proctor, Assistant Treasurer. Term as Assistant Treasurer expires on June 16, 2017. Term as member expires on September 23, 2018. Ms. Proctor is retired. Prior to her retirement, Ms. Proctor was active in many facets of the retail industry. She has been Assistant Treasurer of the Authority since 2016, and a member of the Board of Commissioners since 2013. Ms. Proctor is a mayoral appointee, a resident of public housing, and serves as president of the Authority’s Resident Advisory Board.

Janet R. Trask, Member. Term as member expires on January 12, 2020. Ms. Trask is a retired nurse, is the gubernatorial appointee to the Board and been a member of the Board of Commissioners since 2010.

Thomas G. Thibeault is the Executive Director of the Authority. The Executive Director is appointed by, and serves at the pleasure of the Board of Commissioners. Mr. Thibeault has served as Executive Director of the Authority since 2013.

As provided in the Act, the Authority is empowered to, among other things, promote the clearance, replanning, reconstruction and rehabilitation of substandard and unsanitary areas and the providing of adequate, safe and sanitary low rent housing accommodations for persons and families of low income and is authorized to acquire real property and interests therein, building and improvements thereon, machinery and equipment in connection therewith and to obtain financing and refinancing for the acquisition or betterment of substandard and unsanitary areas and to acquire, construct and/or renovate housing accommodations for persons and families of low income.

THE PUBLIC HOUSING CAPITAL FUND PROGRAM

Public Housing Authorities/HUD Relationship

Public Housing Generally. The public housing program was created by the United States Housing Act of 1937, as amended (42 U.S.C. §1437) (the “1937 Act”), to provide improved housing for low-income households and to stimulate employment in the construction industry during the Great Depression. Under the system established by the 1937 Act, local governments adopted legislation to create public housing authorities (each, a “PHA”). PHAs, such as the Authority, develop, own, operate and maintain housing for rental to low-income families (those with incomes at or below 80% of area median income) and very low-income families (those with incomes at or below 50% of area median income as defined annually by HUD). Currently the 1937 Act requires, generally, that at least 40% of the public housing units of a particular PHA which become available in a given year be rented to families with incomes at or below 30% of area median income.

Since 1965, the public housing program has been administered at the federal level by HUD. There are currently approximately 3,100 PHAs in the United States which own and operate approximately 1.1 million public housing units.

Funding. Historically, the federal government has paid nearly all of the costs of developing, maintaining, modernizing and operating public housing, to the extent that rents collected from tenants were insufficient for those purposes. PHAs generally financed the construction of public housing by issuing tax-exempt bonds, with respect to which principal and interest payments were guaranteed by the Federal Government through forty-year subsidy contracts known as Annual Contributions Contracts (“ACCs”), or through direct loans from HUD under the ACCs, while property rents paid operating costs. Rents were set at a level sufficient to pay those costs.

Throughout the 1950s and the 1960s, as average tenant incomes in public housing declined, tenants paid an increasing share of income for rent. In response to concerns over rent burdens and the ability of PHAs to meet operating costs, the federal government, beginning in 1969, made significant changes to the public housing program. Tenant rental payments were limited to 25% of household income, resulting in a substantial reduction in rent receipts for PHAs. The limit on tenant rental payments was increased to 30% of tenant income in 1981. To offset this loss of income, the Federal Government provided funds to PHAs for the operation and maintenance of public housing units. These federal operating subsidies rose from \$75 million in 1970 to more than \$1 billion annually ten years later. The federal appropriation for operating subsidies to PHAs for federal fiscal year 2012 was more than \$4.711 billion (including \$750 million applied from existing public housing operating fund reserves), for federal fiscal year 2013 was \$4.054 billion, for federal fiscal year 2014 was \$4.4 billion and for federal fiscal year 2015, the requested amount was \$4.6 billion of which \$4.4 billion was appropriated. The amount requested

for federal fiscal year 2016 was \$4.6 billion of which \$4.5 billion has been appropriated. Amounts for federal fiscal year 2017 will operate at the 2016 levels pursuant to a continuing resolution passed by Congress as no such additional amounts have yet been requested or appropriated.

Currently, Congress appropriates money each year for a variety of housing programs, including public housing. Public housing funds are provided to a PHA in accordance with its ACC with HUD. Pursuant to the ACC, HUD makes available an allocation of public housing funds to each PHA, and the PHA agrees to administer the public housing program in accordance with various federal requirements. Each PHA agrees to provide HUD with a variety of reports and other information about its administration of the public housing program in its locality. The ACC is amended each year to reflect the new allocation of capital funds to a PHA. It can also be amended when a PHA increases or decreases its inventory of public housing units, or when the PHA enters into a financing, such as the 2017 Bonds.

Renovation-Modernization Programs and Funding. The original funding mechanism for public housing construction did not provide funding for a capital replacement reserve or for modernization. As the public housing stock aged and operating revenues declined, capital replacement and repair needs grew, and as a result, in 1968, HUD and Congress began a series of efforts to fund major repairs and renovation--referred to generally under the term "modernization." Initially, modernization costs were paid by HUD through the ACCs, either by increasing amounts payable under the original ACC with respect to a project or through a separate contract. In 1980, Congress enacted the Comprehensive Improvement Assistance Program ("CIAP"), which provided modernization funds to PHAs through a grant process based on need. After 1986, the Major Reconstruction of Obsolete Projects ("MROP") program increased modernization funding, targeting the most seriously deteriorated properties.

Modernization funding was increased and the method of funding for large PHAs was changed in 1990 with the adoption of the Comprehensive Grant Program ("Comp Grant"). Comp Grant was limited to PHAs with more than 250 units and was a formula based program, under which large PHAs were assured of receiving capital funding based on their size, modernization needs and replacement needs, among other criteria. Although initially, Comp Grant was limited to PHAs that had 500 or more public housing units, it was later revised to include PHAs with 250 or more units, with smaller PHAs remaining in CIAP.

Establishment of the Capital Fund Program; Capital Funds Calculation

In 1998, Congress passed the Quality Housing and Work Responsibility Act ("QHWRA"), which contained a major revision of the public housing laws. QHWRA amended Section 9 of the 1937 Act to replace the Comp Grant and CIAP programs with a new Capital Fund Program for PHAs. Under the Capital Fund Program, PHAs receive formula-based capital funding grants from HUD ("Capital Funds" or "Capital Fund Program moneys") which may be used, among other things, to finance the renovation and modernization of public housing developments. QHWRA also revised the way in which operating subsidies are provided by establishing the public housing Operating Fund.

The amount of Capital Fund and Operating Fund subsidies allocated to each PHA is set according to formulas developed by HUD through negotiated rulemaking procedures, taking into account factors provided by the statute. As set forth in Section 9(d)(2) of the 1937 Act, these factors include: (i) the number of public housing units owned, assisted or operated by the PHA; (ii) the PHA's need to carry out rehabilitation, modernization and other activities for its public housing units, taking into account both backlog and future needs; (iii) housing construction and rehabilitation costs in the area; (iv) the PHA's need to provide a "safe and secure environment" in its public housing; and (v) the PHA's record of "exemplary performance" in operating its public housing. The Secretary of HUD is empowered to consider additional factors.

HUD has issued final rules governing both Capital Fund and Operating Fund Allocations. A PHA's shares of funding are calculated according to these rules. The Capital Fund Allocation rule is set forth at 24 C.F.R. Part 905. The Capital Funds, which are allocated annually by HUD based upon annual appropriations from the Congress, represent the major source of funding for modernization and other capital activities at PHAs and are the source of the moneys pledged by the Authority for payment of the 2017 Bonds.

As with all other aspects of the Capital Fund Program, the allocation formula is subject to periodic review by the Congress and HUD, and may be changed at any time, whether by law or HUD regulation.

Capital Fund Program Authorization and Appropriations by Congress

Under Article I, Section 9 of the United States Constitution, the power to appropriate funds to be spent by the federal government belongs to the Congress. Typically, when Congress creates a new program such as the Capital Fund Program, it authorizes the expenditure of federal funds in the prescribed manner for the stated purposes. This authorizing legislation may limit the amount of money to be spent on a given purpose and/or the period of time in which the program may operate, or it may establish the program permanently and permit the spending of such funds as may be necessary for the legislative purpose. In either such event, in addition to an expenditure of funds being generally authorized by law, the amounts to be spent must also be specifically appropriated by the Congress. Appropriations are typically made in various appropriations acts that fund the operation of all activities of the Federal Government. Appropriations acts are normally adopted annually by Congress, as an outcome of the process by which the Executive Branch proposes a budget to Congress and the elements of that budget are negotiated within Congress and between Congress and the President.

Capital Fund Program Permanent Authorization

Section 9(c)(1) of the 1937 Act, provides permanent authorization for the Capital Fund Program. Unlike the legislation authorizing several other national funding initiatives (*e.g.*, transportation, and water and sewer programs), there is no provision that would cause the Capital Fund Program to end or be phased out on a date certain. Because the formula for allocating Capital Fund Program moneys was required by statute to be developed through negotiated rulemaking, substantial changes to the allocation rule must follow that same process. The allocation of Capital Fund Program moneys is subject to annual appropriation by Congress.

Section 519(a) of QHWRA authorized the appropriations for the Capital Fund Program of such sums as were necessary for federal fiscal years 1999 through 2003. Although there is no authorization for appropriations under the Capital Fund Program after federal fiscal year 2003, this program remains in effect and Congress regularly provides appropriations for programs without a specific authorization to appropriate. See Table I below for amounts appropriated in federal fiscal years 1980 through 2014. See "RISKS TO THE BONDHOLDERS" – "Delay, Reduction or Elimination of Appropriations" herein.

Capital Fund Calculation

HUD follows a complex process in calculating the annual Capital Fund Allocations for each housing authority. In order to receive Capital Fund Program moneys, once allocated, the Authority need not make application for Capital Fund Program moneys, other than to submit their Annual Public Housing Agency Plan to HUD for approval.

History of Modernization Funding

Appropriations. The amount of funds appropriated by Congress for public housing modernization has varied from year to year. Table I below shows such appropriations between 1980 and 2017. Once Congress has appropriated funds for modernization, HUD is responsible for allocating those funds among the PHAs.

**Table I-Appropriations for Public Housing
Modernization: 1980-2017**

| <u>Federal Fiscal Year</u> | <u>Enacted Appropriation¹</u> | <u>Federal Fiscal Year</u> | <u>Enacted Appropriation¹</u> |
|---------------------------------------|---|---------------------------------------|---|
| 1980 ² | \$ 50,000,000 | 1999 ³ | \$3,000,000,000 |
| 1981 | 100,000,000 | 2000 ³ | 2,900,000,000 |
| 1982 | 75,000,000 | 2001 ³ | 2,993,000,000 |
| 1983 | 2,500,000,000 | 2002 ³ | 2,843,400,000 |
| 1984 | 1,550,000,000 | 2003 ³ | 2,712,255,000 |
| 1985 | 1,725,000,000 | 2004 ³ | 2,696,353,000 |
| 1986 | 1,500,000,000 | 2005 ³ | 2,579,200,000 |
| 1987 | 1,437,000,000 | 2006 ³ | 2,463,600,000 |
| 1988 | 1,685,732,000 | 2007 ³ | 2,438,964,000 |
| 1989 | 1,646,948,200 | 2008 ³ | 2,438,964,000 ⁴ |
| 1990 | 2,030,000,000 | 2009 ³ | 2,450,000,000 |
| 1991 | 2,500,000,000 | 2010 ³ | 2,500,000,000 |
| 1992 | 2,801,000,000 | 2011 ³ | 2,040,200,000 |
| 1993 | 3,100,000,000 | 2012 ³ | 1,875,200,000 |
| 1994 | 3,230,000,000 | 2013 ³ | 1,875,200,000 ⁵ |
| 1995 | 2,885,000,000 | 2014 ³ | 1,788,407,836 |
| 1996 | 2,500,000,000 | 2015 ³ | 1,772,610,812 |
| 1997 | 2,500,000,000 | 2016 ³ | 1,801,680,565 ⁶ |
| 1998 | 2,500,000,000 | 2017 ³ | 1,941,500,000 ⁷ |

¹ These numbers reflect funds appropriated for public housing modernization or for the Capital Fund in the Appropriations Bills for Veterans Affairs, Housing and Urban Development and Independent Agencies for each of the fiscal years indicated. These figures do not include (a) additional funds which may have been appropriated in a Supplemental Appropriations bill for these years, (b) additional funds appropriated for public housing development, MROP and HOPE VI, or (c) HUD's actual budget.

² The public housing modernization program, in its form as a grant, was first authorized in law in 1980 pursuant to the Comprehensive Improvement Assistance Program. However, Congress provided funds for this purpose three years prior to the enactment of authorizing legislation in the following amounts 1977: \$35,000,000, 1978: \$42,500,000 and 1979: \$50,000,000.

³ Current Capital funding formula.

⁴ In 2009, Congress appropriated an additional \$4,000,000,000 under the American Recovery and Reinvestment Act (Pub.L. 111-5).

⁵ In 2013, the enacted appropriation was cut to approximately \$1,777,000,000 by sequestration under the Budget Control Act of 2011 (Pub.L. 112-25).

⁶ See discussion under: "The Authority's Formula Share."

⁷ The President's fiscal year 2017 budget request for this purpose was \$1,865,000,000, but the House Committee on Appropriations recommended that that amount be increased \$1,900,000,000, and the Senate Committee on Appropriations approved a version of the budget allocating \$1,925,000,000 for such purpose but neither recommendation has been voted on by either the House or the Senate. On September 28th, both Houses passed a continuing resolution that was signed by the President the following day, the effect of which is to continue funding at FY 2016 levels for all HUD programs through December 9th. On December 8, 2016, both houses passed continuing resolutions that were signed by the President which extended the continued funding at FY 2016 level through April 28, 2017. On May 5, 2017, a budget for the remainder of the federal 2017 fiscal year which includes an appropriation in the amount set forth in the table the Public Housing Capital Fund Program became law.

Source: HUD Office of Public and Indian Housing.

Withholding of Capital Funds

The 1937 Act requires PHAs to obligate for expenditure at least 90% of their allocation of Capital Funds within 24 months of, as applicable, (i) the date such funds become available to the PHA or (ii) the date on which adequate funds to undertake modernization, substantial rehabilitation or new construction are accumulated (the “Obligation Requirement”). Unless a waiver or extension is obtained, a PHA cannot be awarded Capital Funds for any month during a fiscal year in which such PHA has unobligated Capital Fund Allocations from prior fiscal years in violation of the Obligation Requirement. However, if a PHA cures its failure to obligate the previously allocated Capital Funds within such fiscal year, Capital Fund Allocations will be made available to the PHA in an amount proportional to the number of months remaining in such fiscal year although the PHA will be unable to recover the Capital Funds attributable to the time it was not in compliance.

The Secretary of HUD may grant extensions to a PHA giving it more time to obligate its Capital Fund Allocation for a period of up to 12 months based on the size of the PHA, the complexity of its Capital Fund program, any limitation on the PHA’s ability to obligate Capital Funds as a result of state or local law, or for any other reason determined by the Secretary to be relevant. In addition, the Secretary may grant an extension for such period as the Secretary determines to be necessary if the Secretary determines that the failure to timely obligate the Capital Funds is due to litigation, obtaining approvals from the federal, state or local government, complying with environmental assessment and abatement requirements, relocating residents, or an event beyond the control of the PHA, or for any other reason established by the Secretary pursuant to a notice published in the Federal Register.

In addition to the Obligation Requirement discussed above, a PHA is required to expend Capital Fund Allocations within four years of the date on which such funds become available to the PHA for obligation plus the period of any extension approved by the Secretary of HUD as described above (the “Expenditure Requirement”). Failure to do so may result in recapture of the funds upon action by the Secretary of HUD.

The Authority is currently in compliance with the Obligation Requirement and the Expenditure Requirement, and internal control and monitoring systems are in place to ensure that the Authority meets or exceeds all Obligation Requirements and Expenditure Requirements in a timely manner. Over the past 10 years, the Authority has always complied with the Obligation Requirement and the Expenditure Requirement. Table II below sets forth the Authority’s historical compliance with the Obligation Requirement and the Expenditure Requirement.

[Remainder of page intentionally left blank.]

Table II-Authority's Historical Obligation and Expenditure Compliance

| <u>Federal FY</u> | <u>Grant</u> | <u>Amount Expended</u> | <u>Date of Closeout</u> |
|-------------------|--------------|------------------------|-------------------------|
| 2006 | \$2,177,093 | 100% | 12/05/08 |
| 2007 | 2,115,346 | 100 | 08/25/11 |
| 2008 | 2,230,888 | 100 | 06/12/12 |
| 2009 | 2,058,552 | 100 | 05/31/12 |
| 2010 | 2,051,629 | 100 | 06/10/14 |
| 2011 | 1,693,894 | 100 | 06/10/14* |
| 2012 | 1,991,775 | 100 | 09/16/15 |
| 2013 | 2,018,936 | 100 | ** |
| 2014 | 1,689,601 | \$ 1,939,018 | 95 |
| 2015 | 1,721,931 | 1,807,081 | 90 |
| 2016 | 1,816,495 | 0 | |
| 2017 | *** | 0 | |

*No HUD "close-out" letter received. In correspondence received on the date indicated, HUD acknowledged that the FY 2011 grant had been closed out.

**Final Cost Certificate submitted to HUD on 11/7/16; as of this date, not yet acknowledged.

***As of this date, the Authority has not yet been advised by HUD of the amount of its Capital Fund Program moneys for the current federal fiscal year.

The Authority's Formula Share

The Authority's 2015 allocation of Capital Fund Program moneys was \$1,721,931 out of the national total of approximately \$1.772 billion, the Authority's FY 2016 allocation was \$1,816,495 of the national total of \$1.8 billion. As of this date, the Authority has not yet been advised by HUD of its FY 2017 allocation of the national total of \$1,941,500,000.¹ As indicated in Table I above, the national appropriation dropped approximately 5% (\$1,788,407,836 from \$1,875,200,000) for fiscal year 2014, and decreased again for fiscal year 2015. Enacted in December 2015, the Consolidated Appropriations Act, 2016 (Pub.L. 114-113) increased the appropriation for the Capital Fund Program to \$1,801,680,000 for fiscal year 2016.

Table III - Historical Federal Funding Levels (Authority)

| <u>Fiscal Year</u> | <u>Authority Allocations</u> | <u>% Change Year-to-Year</u> |
|--------------------|------------------------------|------------------------------|
| 2006 | \$2,177,093 | |
| 2007 | 2,115,346 | -2.84% |
| 2008 | 2,230,888 | +5.46 |
| 2009 | 2,058,552 | -7.72 |
| 2010 | 2,051,629 | 0 |
| 2011 | 1,693,894 | -17.44 |
| 2012 | 1,991,775 | +17.58 |
| 2013 | 2,018,936 | +1.36 |
| 2014 | 1,689,601 | -16.31 |
| 2015 | 1,721,931 | +1.91 |
| 2016 | 1,816,495 | +5.49 |
| 2017 | not yet available | — |

¹ See footnote 7 to Table I-- Appropriations for Public Housing Modernization: 1980-2017.

Safe Harbor

The Capital Fund Program Allocation Rule establishes a “safe harbor” which insulates housing authorities from being subject to unexpected drastic reductions in their share of the total national appropriation. The “safe harbor” relates only to the percent of the overall appropriation or “formula share” that any housing authority is entitled to receive. The funding level is the amount of money that a housing authority can receive given its “formula share,” after making the adjustments described in the following paragraph.

Under the Capital Fund Program Allocation Rule, there are generally two ways a public housing authority’s formula share could go below the “safe harbor” amount: (1) if the agency deprograms or otherwise disposes of units which are not replaced in accordance with the “replacement housing factor” described in the rule and (2) if the performance reward mechanism described in the rule were to become effective. The effect of these exceptions is explained more fully in the Public Housing Capital Fund Program Final Rule, effective as of November 25, 2013, published in the *Federal Register* October 24, 2013 (Docket No. 5236-F-02), and codified at 24 Code of Federal Regulations § 905.400(h)(1) and (l)(2), respectively.

The combination of the potential 6% reduction under the “formula share” allocation and the 5% reduction in funding under the “performance reward factor” allocated to other housing authorities does not add up to a 11% potential reduction. The 6% relates to the housing authority’s “formula share” which is fixed by the housing authority’s formula share in 1999. The 5% relates to the dollar amount of a housing authority’s allocation. Consequently, a housing authority could lose no more than 6% of its “formula share” which equals “x” dollars. In any given year, a housing authority could lose no more than 5% of “x” dollars, if the performance reward system is implemented. By way of an example, assuming a national appropriation to housing authorities of \$3 billion in 1999 resulted in a PHA’s formula share of approximately \$89 million or 2.969%. The maximum reduction in formula share that could be suffered by that PHA would be to .94% or approximately \$83.7 million. The 5% performance reward factor reduction that could be felt by that PHA would, in that case, only equal \$4.2 million or a 4.7% reduction from the previous year’s allocation.

HUD Approval Letter

The following summary of the HUD Approval Letter is qualified in its entirety by reference to the actual text of the letter appended hereto as Appendix B.

Pursuant to the HUD Approval Letter, HUD has approved the issuance of the 2017 Bonds, and, in addition, addresses the following matters, among others:

- HUD approval of the estimated debt service schedule for the 2017 Bonds, subject to the requirement that, unless approved by HUD, the final debt service schedule shall not exceed the estimated debt service schedule in any year by more than 10%.
- HUD’s statement that the 2017 Bonds are not obligations of or guaranteed by HUD or the United States of America.
- HUD’s agreement, subject to the availability of appropriations, to make payments from Capital Fund Allocations needed for debt service on the 2017 Bonds automatically and directly to the Trustee for the benefit of the Authority.

- HUD's statement that nothing in the HUD Approval Letter is intended to diminish HUD's authority to administer, monitor, and regulate the public housing program, including HUD's authority to exercise any administrative sanction provided by law; subject to HUD's agreement that no subsequent change in the permissible use of Capital Fund Program moneys and no administrative sanction regarding the Authority would affect the eligibility of expenditures for debt service on the 2017 Bonds or reduce Capital Fund Program allocations to the Authority, except as required by law, below the levels needed to pay such debt service.

ACC Financing Amendment

The following summary of the ACC Financing Amendment is qualified in its entirety by reference to the actual text of the amendment which is appended hereto as Appendix C.

Pursuant to the ACC Financing Amendment, HUD and the Authority have agreed, among other things, as follows:

- The ACC Financing Amendment covers the modernization of the projects to be carried out by the Authority.
- Nothing in the ACC Financing Amendment is intended to diminish HUD's authority to administer, monitor, and regulate the public housing program, including HUD's authority to exercise any administrative sanction or remedy provided by law; provided, however that except as required by law, HUD will not assert any claim or right under the ACC, including the exercise of administrative sanctions and remedies if and to the extent that the effect of such claim or right would be to reduce the payment of Capital Fund Program moneys to the Authority below the level necessary to pay debt service on the 2017 Bonds or related costs as approved by HUD or delay the time for payment of such moneys such that required amounts would not be available to pay debt service on the 2017 Bonds when due. In the event that HUD shall determine to impose administrative sanctions upon the Housing Authority which would have the effect of reducing the payment of Capital Fund Program moneys to the Housing Authority in any year by at least 20%, HUD shall have the right (in addition to all other rights and remedies available to HUD), while such sanctions remain in effect, to require that unexpended proceeds of 2017 Bonds already issued (except for amounts already obligated or encumbered for the payment of project costs or required for a debt service reserve or other structural purposes of such issue(s)) be applied, at the earliest permissible date, to redeem outstanding 2017 Bonds.
- Payment of debt service on the 2017 Bonds is a permissible use of Capital Fund Program moneys. Once an issue of bonds, such as the 2017 Bonds, has been approved by HUD, however, no further approval shall be required for payment of debt service on such bonds with Capital Fund Program moneys available to the Authority.
- The adoption of the ACC Financing Amendment does not supersede or preclude the adoption of annual Capital Fund plans and annual Capital Fund Program Amendments to the ACC; provided, however, that if in any fiscal year, (i) the applicable annual Capital Fund plan shall not have been approved by HUD or (ii) the annual Capital Fund Program Amendment to the ACC shall not have been executed, in either case by the later of (i) October 1 of the first year following the end of the applicable federal fiscal year with respect to which such funds were appropriated or (ii) 60 days prior to the first scheduled debt service payment on the 2017 Bonds following such October 1, HUD agrees, subject to the availability of appropriations, to approve immediately upon receipt from the

Authority (subject to any legal requirements or constraints applicable at the time), an annual Capital Fund plan and/or an annual Capital Fund Program Amendment to the extent and in an amount sufficient to make the applicable debt service payment on the 2017 Bonds.

- Subject to the availability of appropriations and approval of the annual Capital Fund plan and Capital Fund Program Amendment, and further provided that the Authority submits the Post Approval Documentation described in the HUD approval letter, HUD will make Capital Fund Program moneys automatically and directly available to the Trustee for the 2017 Bonds in accordance with the approved debt service schedule, to the extent required for payment of debt service on the 2017 Bonds and related costs approved by HUD. Such direct payment shall be implemented by whatever means are available to HUD at the applicable time, but in any event, the Trustee shall be able to receive, based upon the direction of the Authority pursuant to and as embodied in the ACC Financing Amendment, the necessary amounts without the need for payment to flow through the Authority.
- Amounts requisitioned by or payable to the Trustee for debt service on the 2017 Bonds shall not be paid earlier than three (3) business days prior to the date upon which they are required to make such payment on the 2017 Bonds. HUD agrees that, provided the Authority submits the Post Approval Documentation described in the HUD approval letter, upon determining the amount of Capital Fund Program moneys available to the Authority in any fiscal year, it will not permit disbursements of such moneys for purposes other than debt service on the 2017 Bonds and related costs in accordance with the Debt Service Schedule approved by HUD to an extent that would reduce the amounts available for such fiscal year below the amounts scheduled for debt service on the 2017 Bonds and related costs in such fiscal year.
- The proceeds of the 2017 Bonds may be expended only for purposes for which public housing Capital Fund Program moneys may be expended. The Authority shall provide for the application of the proceeds of the 2017 Bonds (in such detail as shall be reasonably required by HUD) in its annual and 5-year Capital Fund plans. All such uses of Revenue Bond proceeds shall be subject to HUD approval (as part of HUD's approval of Authority's annual plan) and the Authority shall report to HUD annually with respect to such expenditures in the same manner as it accounts for the expenditure of Capital Fund Program moneys.

RISKS TO THE BONDHOLDERS

The factors discussed below should be considered in evaluating the ability of the Authority to make payments in amounts sufficient to provide for payment of the principal of, redemption premium, if any, and interest on the 2017 Bonds. This discussion of the risk factors involved in purchasing and owning the 2017 Bonds is not, and is not intended to be, exhaustive.

General

The 2017 Bonds will be special limited obligations of the Authority and will be secured by and payable solely from the sources pledged therefor under the Indenture. The 2017 Bonds will not constitute indebtedness or an obligation of the Commonwealth or any political subdivision of the Commonwealth within the meaning of any constitutional limitation or statutory provision or a charge against the general credit or taxing power, if any, of any of them. No owner of the 2017 Bonds will have any right to compel any exercise of the taxing power, if any, of the Commonwealth or any political subdivision of the

Commonwealth (including the City) to pay the principal of the 2017 Bonds, or the interest or premium, if any, thereon. Payment of the 2017 Bonds, including the principal thereof, redemption premium, if any, and the interest thereon, will be made solely from the funds and obligations duly pledged therefor as described in this Placement Memorandum. There will be no pledge of any of the credit or the taxing power, if any, of the Commonwealth, or any political subdivision of the Commonwealth (including the City), to the obligations of the 2017 Bonds and no owner of any of the 2017 Bonds can ever submit a claim against any such credit or taxing power. The Authority has no taxing power.

THE 2017 BONDS ARE NOT A DEBT OR LIABILITY OF, OR GUARANTEED BY, THE UNITED STATES OF AMERICA OR HUD. THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA IS NOT PLEDGED TO THE PAYMENT OF DEBT SERVICE ON THE 2017 BONDS. THE PAYMENT OF DEBT SERVICE ON THE 2017 BONDS IS NOT GUARANTEED BY THE UNITED STATES OF AMERICA OR HUD. THE 2017 BONDS ARE NOT A DEBT OR LIABILITY OF, OR GUARANTEED BY, THE CITY OF BROCKTON, MASSACHUSETTS. THE FAITH AND CREDIT OF THE CITY OF BROCKTON, MASSACHUSETTS IS NOT PLEDGED TO THE PAYMENT OF DEBT SERVICE ON THE 2017 BONDS. THE PAYMENT OF DEBT SERVICE ON THE 2017 BONDS IS NOT GUARANTEED BY THE CITY OF BROCKTON, MASSACHUSETTS. NO ACTION TAKEN PURSUANT TO THE DOCUMENTS DESCRIBED IN THIS PLACEMENT MEMORANDUM SHALL RESULT IN ANY LIABILITY TO THE FEDERAL GOVERNMENT OF THE UNITED STATES OF AMERICA OR ANY PART THEREOF OR TO THE CITY OF BROCKTON, MASSACHUSETTS.

The ability of the Authority to make payments in amounts sufficient to provide for payment of the principal of, premium, if any, and interest on the 2017 Bonds could be adversely affected by the occurrence of certain events, including, without limitation, the events and circumstances described below. Any of these events could adversely affect the ability of the Authority to make payments on the 2017 Bonds. Some of these risks are discussed in more detail below.

Delay, Reduction or Elimination of Appropriations

The primary security for the 2017 Bonds is a security interest in annual Capital Fund Allocations Pledged Amounts once received from HUD. National appropriations must be determined by Congress each year. There can be no assurance that Congress will maintain appropriations for the Capital Fund Program at levels sufficient to assure payment of the 2017 Bonds or make a specific year's appropriation under the Capital Fund Program in a timely manner. When there is a delay in the approval of appropriations, Congress may pass "continuing resolutions" which may continue the level of funding on certain programs, such as the Capital Fund Program, at existing levels until the relevant appropriations bill is passed. For example, in fiscal year 2010, the public housing Capital Fund Program was funded at \$2.5 billion. In fiscal year 2011, the Capital Fund Program was funded at the same level as fiscal year 2010 through several "continuing resolutions" until Congress passed an appropriations bill for such fiscal year on April 15, 2011 and funded the Capital Fund Program at \$2.04 billion. The ability of HUD to allocate (once appropriated by Congress), and the Authority to receive or pledge, such funds may be limited or otherwise altered by legislative or regulatory act in a manner which adversely effects the interests of the holders of the 2017 Bonds.

Additionally, as described above, Capital Fund Allocations generally can decline annually over time depending on the Authority's performance, but within certain safe harbors. The Authority's Capital Fund Allocations could drop below the "safe harbor" amount: (1) if the agency deprograms or otherwise disposes of units which are not replaced in accordance with the "replacement housing factor" described in the rule and (2) if the performance reward mechanism described in the rule were to become effective. Such declines may have a material adverse effect on the availability of funds to repay the 2017 Bonds and the security for the 2017 Bonds.

A decrease in the level of appropriated funds by Congress to HUD or a delay in appropriations could have a material adverse effect on the Authority's ability to pay debt service on the 2017 Bonds.

Termination of Capital Fund Program

As described above under "THE PUBLIC HOUSING CAPITAL FUND PROGRAM," the funding authorization for the Capital Fund Program provided for in Section 519(a) of QHWRA extended only through federal fiscal year 2003; nevertheless, Congress has appropriated funds in each following fiscal year. As is further discussed under "THE PUBLIC HOUSING CAPITAL FUND PROGRAM – "Public Housing Authorities/HUD Relationship" – "*Renovation-Modernization Programs and Funding*," HUD and Congress has provided assistance to PHAs for many years for modernization and other capital activities in a variety of forms. There can be no assurance that Congress will maintain the Capital Fund Program in its present form or reauthorize the expenditure of funds thereunder. Although the Authority has pledged amounts received under any successor to the Capital Fund Program, there can be no assurance that, upon discontinuation or termination of the Capital Fund Program, a substantially similar program will be established by the Congress in lieu of the Capital Fund Program or that amounts provided under any such successor will be comparable to those provided under the Capital Fund Program. Accordingly, a discontinuation or termination of the Capital Fund Program could result in decreased funding by HUD to the Authority for capital needs and could have a material adverse effect on the 2017 Bonds.

Change in Allocation Formula

As described above under the caption "THE PUBLIC HOUSING CAPITAL FUND PROGRAM," HUD allocates amounts to housing authorities under the Capital Fund Program on the basis of a formula developed by negotiated rulemaking. HUD has previously allocated amounts to housing authorities under predecessor programs for the modernization of public housing by formula or upon such other bases as were established by the Congress with respect to the particular program. There can be no assurance that Congress will not change the basis upon which moneys will be allocated to housing authorities (including the Authority) under the Capital Fund Program (or any successor thereto). There can be no assurance that HUD will not make technical changes or seek to make fundamental changes through its negotiated rulemaking process in allocating capital funds. A change in the formula or basis upon which amounts under the Capital Fund Program (or any successor thereto) are allocated to housing authorities could decrease the amount of such funds allocated by HUD to the Authority and could, therefore, have a material adverse effect on the Authority's ability to pay debt service on the 2017 Bonds.

Reduction in Allocation

There can be no assurance that changes in the operations of the Authority will not have an adverse effect on allocations of Capital Fund Program moneys under the current Capital Fund Allocations Formula or any successor thereto. There is no assurance that the Authority's allocations of Capital Fund Allocations will not be reduced in any year through application of the Capital Fund Allocation Formula, as a result of a reduction in the number of public housing units operated by the Authority which are eligible for improvements funded by Capital Fund Allocations or otherwise. Any change in the status of the Authority's inventory of public housing units and/or operations considered for purposes of the current or any future Capital Fund Allocation Formula could decrease the amount of such funds allocated by HUD to the Authority and could, therefore, have a material adverse effect on the Authority's ability to pay debt service on the 2017 Bonds.

Other Changes in Law or Regulations

There can be no assurance that the laws and regulations presently applicable to the Capital Fund Program will not be rescinded, revised or supplemented in such a way as to have a material adverse effect on the Authority's ability to pay debt service on the 2017 Bonds.

HUD Administrative Sanctions

The Capital Fund Program and the public housing program generally operate under a series of regulations and requirements prescribed by the 1937 Act and by HUD pursuant to its administrative authority over those programs. Various sanctions may be imposed upon PHAs that violate HUD program requirements, including, under specified circumstances, the withholding of funds to which a PHA might otherwise be entitled. The 1937 Act provides for various extensions and exceptions which would avoid the withholding of assistance in particular cases. HUD regulations permit withholding of assistance in other circumstances, as well. In addition, there can be no assurance that HUD and Congress will not impose additional conditions upon the receipt of assistance pursuant to the Capital Fund Program or any successor, with which the Authority may be unable to comply. See "Withholding of Capital Funds; Recapture of Capital Funds," below.

Pursuant to the 1937 Act and contracts entered into by HUD and PHAs throughout the country, in the event of a substantial default in the performance of the obligations of a PHA thereunder, HUD is entitled to pursue a wide range of administrative sanctions and remedies, including requiring possession of a PHA's assets to be transferred to HUD and the "taking over" of full management and operational control from such authority. Such a takeover by itself would not impair the payment of debt service on the 2017 Bonds. The Authority has covenanted to comply with the requirements of the Capital Fund Program.

HUD has agreed that, except as required by law, it will not assert any claim or right under the ACC, including the exercise of administrative sanctions and remedies, if and to the extent that the effect of such claim or right would be to reduce the payment of Capital Funds to the Authority below the level necessary to pay debt service on the 2017 Bonds or delay the time for payment of such moneys such that the required amounts would not be available to pay debt service on the 2017 Bonds when due.

HUD Directed Redemption

The ACC Financing Amendment provides, among other things, that in the event the HUD shall determine to impose administrative sanctions upon the Authority which would have the effect of reducing the payment of Capital Fund Program moneys to the Authority in any year by at least 20%, HUD shall have the right to require that unexpended proceeds of the 2017 Bonds (except for amounts already obligated or encumbered for the payment of project costs or required for a debt service reserve) be applied, at the earliest permissible date, to the extraordinary mandatory redemption of all or a portion of the 2017 Bonds. See "THE 2017 BONDS"—"Redemption of Bonds"—"*Special Mandatory Redemption*" herein.

Failure to Comply with HUD Regulations

The Authority is required to spend the proceeds of the 2017 Bonds, as well as other Capital Fund Allocations, on "eligible purposes" as defined in law and regulation and in a timely manner. Generally, housing authorities must obligate Capital Funds within two (2) years of receipt and spend them within four (4) years. Additionally, the Authority must manage the use of Capital Fund Allocations in accordance with HUD regulations and other applicable law. The inability or failure by the Authority to comply with

HUD regulations may result in the delay, reduction or non-appropriation of Capital Fund Allocations, which in turn would have a material adverse effect on the security for the 2017 Bonds.

Federal Budget Delays

On the basis of prior history, the Authority expects its future Capital Fund Allocations will be available at or near the beginning of its future fiscal years, but no assurances can be given that that will be the case. In the event that Federal appropriations are delayed, the Authority's receipt of Capital Fund Allocations may also be delayed. In the event of a delay, Congress has traditionally provided interim funding to federal agencies until final appropriation bills are enacted; however, there can be no assurance of any such interim funding.

Enforceability Against HUD

HUD has no obligation with respect to the 2017 Bonds. Neither the holders of the 2017 Bonds, nor the Trustee acting on their behalf, has any right or remedy against HUD to enforce payment of the Capital Fund Allocations necessary to repay the 2017 Bonds. The 2017 Bonds are secured solely by the Trust Estate.

Withholding of Capital Funds; Recapture of Capital Funds

The Secretary of HUD (i) is required to withhold a portion of Capital Funds that would otherwise be allocated to a PHA if the PHA fails to obligate its Capital Funds within the time period required by the 1937 Act and (ii) may recapture obligated Capital Funds that are not expended within the time period required by the 1937 Act, as such periods may be extended by the Secretary of HUD.

Any such withholding or recapture may have a materially adverse effect on the Authority's ability to pay debt service on the 2017 Bonds. The likelihood of any potential withholding or recapture of Capital Fund Grant Moneys adversely affecting the Authority's ability to pay debt service on the 2017 Bonds is reduced by a number of factors, including:

1. The Secretary of HUD may grant extensions of time to obligate for a wide variety of reasons.
2. Unobligated amounts are disregarded if they do not exceed 10% of the original amount made available.
3. If a PHA cures its failure to obligate a prior year's Capital Fund Allocations, the PHA shall receive for the then-current fiscal year a share equal to its original share multiplied by a fraction equal to the number of months remaining in the year subsequent to the month in which the cure occurred, divided by 12.
4. Debt service on the 2017 Bonds is estimated to equal not more than 33% of its anticipated yearly Capital Fund Allocations.
5. HUD has agreed that debt service on the 2017 Bonds may be paid from any Capital Fund Allocations, including any unobligated funds. Accordingly, to the extent that the withholding of a particular year's allocation of Capital Fund Allocations is due to the presence of unobligated funds in violation of the 1937 Act's obligation deadlines, those earlier unobligated funds would be available to enable the Authority to pay debt service on the 2017 Bonds. Such payment would also help to cure the condition giving rise to the withholding of Capital Fund Allocations.

6. If unobligated Capital Fund Allocations remaining from prior fiscal years are insufficient to fully pay debt service on the 2017 Bonds in a particular year and the application of such funds comes too late in the year to permit receipt of sufficient Capital Funds in the current year to permit full payment of debt service with such current amounts, the Debt Service Reserve Fund may be used to pay debt service on the 2017 Bonds. Full application of amounts remaining unobligated from prior years to debt service on the 2017 Bonds would enable the Authority to receive a full allocation of Capital Fund Allocations for the subsequent fiscal year, enabling it to restore its Debt Service Reserve Fund and pay current debt service on the 2017 Bonds.
7. Debt service on the 2017 Bonds once paid cannot be recaptured because such amounts are obligated and expended on a current, ongoing basis.

No Acceleration Upon Default

Upon the occurrence and continuance of an Event of Default under the Trust Indenture, payment of the principal amount of the 2017 Bonds is not subject to acceleration. The Authority would be liable for principal and interest payments only as they became due, and the Trustee would be required to seek a separate judgment for each payment, if any, not made.

No Mortgage or Lien on Project

Neither the Indenture nor the Pledge Agreement creates a mortgage or lien on, or a security interest in, any housing project or any other facilities of the Authority. Therefore, if a default occurs, neither the Trustee nor holders of the 2017 Bonds will have a security interest on any portion of any housing project or any such facilities in order to enforce its rights to the payment of debt service on the 2017 Bonds.

Effect of Federal Sequestration

The Budget Control Act of 2011, which amended the Balanced Budget and Emergency Deficit Control Act of 1985 (“BBEDCA”), required the Office of Management and Budget (“OMB”) to calculate, and the President to order, a sequestration of discretionary and direct spending on January 2, 2013 to achieve expense reductions for fiscal year 2013. In September 2012, the OMB released a report estimating that sequestration would cut \$154,000,000 in Capital Fund Program funds in 2013, or approximately 8.2%. On January 2, 2013, Congress passed the American Taxpayer Relief Act of 2012, which modified the requirements of the BBEDCA by delaying sequestration until March 1, 2013. Congress, however, was unable to reach agreement to prevent or further delay sequestration, and on March 1, 2013, the automatic spending reductions required by the Budget Control Act of 2011 became effective, cutting the enacted Capital Fund Program appropriation from \$1,875,200,000 to \$1,777,000,000, or approximately 5.2%. In December 2013, the Bipartisan Budget Act of 2013 increased the sequestration caps established by the Budget Control Act of 2011 for FY2014 and FY2015, thus avoiding the automatic cuts by sequestration. The 2015 Bipartisan Budget Act subsequently modified the caps for FY2016 and FY2017. On September 29, 2016, the President signed the Continuing Appropriations and Military Construction, Veterans Affairs, and Related Agencies Appropriations Act, 2017, and Zika Response and Preparedness Act (the “2017 Continuing Appropriations Act”) funding the Federal government through December 9, 2016. On December 8th, Congress passed continuing resolutions that were signed by the President and extended continued funding at FY 2016 levels through April 28, 2017. Under the Consolidated Appropriations Act, 2017, which was signed by the President and became law on May 5, 2017, a budget for the remainder of the 2017 fiscal year was put in place, which includes appropriations for discretionary budget items that are equal to the adjusted caps for FY 2017. Accordingly, the Congressional Budget Office (the “CBO”) has concluded that no sequestration will be required for FY 2017. (See, CBO Final Sequestration Report for Fiscal Year 2017, dated May, 2017.) However, as pointed out by the CBO, the caps potentially could be

breached for FY 2017 if Congress provides additional appropriations for FY 2017 before the end of the fiscal year on September 30 that are not offset by reductions in funding for other program, and it is OMB that is responsible for implementing sequestration reductions based upon its own estimates (not those of the CBO).

Under the 2015 Bipartisan Budget Act, the nondefense cap discretionary program will automatically be reduced by \$37 billion in 2018, which represents a cut of 6.8 percent, and by similar amounts (and smaller percentages) in later years.

TAX MATTERS

Federal Income Taxes

In the opinion of Harris Beach PLLC, Bond Counsel to the Authority, and subject to the limitations set forth below, under existing statutes, regulations, administrative rulings and court decisions as of the date of such opinion, interest on the 2017 Bonds is excluded from gross income for federal income tax purposes, pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). Furthermore, Bond Counsel is of the opinion that interest on the 2017 Bonds is not an “item of tax preference” for purposes of computing the federal alternative minimum tax imposed on individuals and corporations. Interest on the 2017 Bonds is, however, included in “adjusted current earnings” for purposes of calculating the federal alternative minimum tax imposed on certain corporations. Corporate purchasers of the 2017 Bonds should consult with their tax advisors regarding the computation of any alternative minimum tax liability.

The Code establishes certain requirements that must be met at the time of, and subsequent to, the issuance and delivery of the 2017 Bonds in order that interest on the 2017 Bonds be and remain excluded from gross income for federal income tax purposes, pursuant to Section 103 of the Code. These continuing requirements include certain restrictions and prohibitions on the use of the proceeds of the 2017 Bonds, restrictions on the investment of such bond proceeds and other amounts and the rebate to the United States of certain earnings in respect of such investments. Failure to comply with such continuing requirements may cause the interest on the 2017 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the 2017 Bonds, irrespective of the date on which such noncompliance occurs. In the Indenture and in the Tax Regulatory Certificate of the Authority, to be delivered on the date of issue of the 2017 Bonds (the “Tax Certificate”), the Authority shall covenant to comply with certain procedures, and shall make certain representations and certifications, designed to assure compliance with the requirements of the Code. In rendering the above-described opinion, Bond Counsel will assume continuing compliance with such covenants and procedures and the continuing accuracy, in all material respects, of such representations and certifications.

Bond Counsel expresses no opinion regarding any other federal income tax consequences related to the ownership or disposition of, or the receipt or accrual of interest on, the 2017 Bonds. The proposed form of opinion of Bond Counsel is attached hereto as Appendix D.

In addition to the matters referred to in the preceding paragraphs, prospective purchasers of the 2017 Bonds should be aware that the accrual or receipt of interest on the 2017 Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences may depend upon the recipient’s particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences. Examples of such other federal income tax consequences of acquiring or holding the 2017 Bonds include, without limitation, that (i) with respect to certain insurance companies, the Code reduces the deduction for loss reserves by a portion of the sum of certain items, including interest on the 2017 Bonds, (ii) interest on the 2017 Bonds earned by certain foreign corporations doing business in the United States may be subject to a branch profits tax imposed by the Code, (iii) passive investment income, including interest on the 2017 Bonds, may be subject to federal

income taxation under the Code for certain S corporations that have certain earnings and profits, and (iv) the Code requires recipients of certain Social Security and certain other federal retirement benefits to take into account, in determining gross income, receipts or accruals of interest on the 2017 Bonds. In addition, the Code denies the interest deduction for indebtedness incurred or continued by a taxpayer, including, without limitation, banks, thrift companies, and certain other financial companies to purchase or carry tax exempt obligations, such as the 2017 Bonds. The foregoing is not intended as an exhaustive list of potential tax consequences. Prospective purchasers should consult their tax advisors regarding any possible collateral consequences with respect to the 2017 Bonds.

Certain requirements and procedures contained in or referred to in the Indenture, the Tax Certificate and other relevant documents may be changed, and certain actions may be taken or omitted subsequent to the date of issue, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice of, or with the approving opinion of, a nationally recognized bond counsel. Bond Counsel expresses no opinion as to any tax consequences with respect to the 2017 Bonds, or the interest thereon, if such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Harris Beach PLLC.

Massachusetts Taxes

In the opinion of Bond Counsel, under existing law, interest on the 2017 Bonds is exempt from Massachusetts personal income taxes and the 2017 Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to the other Massachusetts tax consequences with respect to the 2017 Bonds. Prospective purchasers should be aware, however, that the 2017 Bonds are included in the measure of Massachusetts estate and inheritance taxes, and that the 2017 Bonds and the interest thereon are included in the measure of Massachusetts corporate excise and franchise taxes. Bond Counsel has not opined as to the taxability of the 2017 Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, under the laws of any state other than Massachusetts.

Other Considerations

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or omitted) or any events occurring (or not occurring) after the date of issuance of the 2017 Bonds may adversely affect the value of, or the tax status of interest on, the 2017 Bonds.

No assurance can be given that any future legislation, including amendments to the Code or the tax laws of the Commonwealth, or any regulations or administrative rulings thereunder, or court decisions with respect thereto, will not, directly or indirectly, cause interest on the 2017 Bonds to be subject to federal or Commonwealth income taxation, or otherwise prevent Bondholders from realizing the full current benefit of the tax status of such interest. Further, no assurance can be given that the introduction or enactment of any such future legislation, any judicial decision or any action of the Internal Revenue Service or any Commonwealth taxing authority, including, but not limited to, the promulgation of a regulation or ruling, or the selection of the 2017 Bonds for audit examination, or the course or result of any Internal Revenue Service examination of the 2017 Bonds or of obligations which present similar tax issues, will not affect the market price or marketability of the 2017 Bonds. Prospective purchasers of the 2017 Bonds should consult their own tax advisors regarding the foregoing matters.

All quotations from and summaries and explanations of provisions of law do not purport to be complete, and reference is made to such laws for full and complete statements of their provisions.

See “Appendix D — Form of Opinion of Bond Counsel.”

ALL PROSPECTIVE PURCHASERS OF THE 2017 BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE AND

APPLICABLE STATE LAW AS TO THESE AND OTHER FEDERAL AND STATE TAX CONSEQUENCES, AS WELL AS ANY LOCAL TAX CONSEQUENCES, OF PURCHASING OR HOLDING THE 2017 BONDS.

PRIVATE PLACEMENT

Beekman Securities, Incorporated of New York City, New York, has served as placement agent to the Authority in connection with the sale of the 2017 Bonds. Pursuant to a Bond Placement Agreement with the Authority, Beekman Securities, Inc., as the “Placement Agent,” has agreed to use its best efforts to place the 2017 Bonds with the original purchaser or purchasers thereof, who will purchase the 2017 Bonds from the Authority at an aggregate purchase price of \$9,630,000, for which the Placement Agent will be paid a fee of \$192,600.00, equal to 2.00% of the principal amount of the 2017 Bonds. The obligation of the Placement Agent to accept delivery of the 2017 Bonds on behalf of the original purchaser or purchasers thereof is subject to various conditions set forth in such Agreement. The initial offering prices shown on the cover page may be changed from time to time by the Placement Agent during the offering period. The Authority has agreed to indemnify the Placement Agent with respect to certain information contained in this Placement Memorandum other than material furnished by the Placement Agent.

CONTINUING DISCLOSURE UNDERTAKING

In accordance with Rule 15c2-12 promulgated by the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), the Authority and Digital Assurance Certification L.L.C. (the “Dissemination Agent”) will enter into written Disclosure Dissemination Agent Agreement for the benefit of the Holders of the 2017 Bonds (the “Disclosure Dissemination Agent Agreement”) to provide continuing disclosure. Pursuant to the Disclosure Dissemination Agent Agreement, the Authority will provide or cause the Dissemination Agent to provide, not later than the last day of the succeeding fiscal year of the Authority, commencing with the fiscal year ending December 31, 2017, to the Trustee and to the Electronic Municipal Market Access (“EMMA”) system of the Municipal Securities Rulemaking Board, certain financial information and other operating data with respect to the Authority for and as of the end of each fiscal year (collectively, the “Annual Reports”), as set forth in APPENDIX F - “FORM OF DISCLOSURE DISSEMINATION AGENT AGREEMENT.”

The Authority entered into a Continuing Disclosure Agreement for the benefit of beneficial owners of the 2005 MassHousing Bonds at the time of the issuance of the 2005 MassHousing Bonds with MassHousing and the 2005 MassHousing Bond Trustee (the “Prior CDA”), which obligates the Authority to send, or cause to be sent, each year certain financial information to certain information repositories that were in operation at the time of issuance of the 2005 MassHousing Bonds and to provide notice, or to cause to be provided, notice of certain enumerated events to the entities specified in such Continuing Disclosure Agreement all in accordance with Rule 15c2-12, as in force at that time. Since 2008, the Authority has failed to provide or to cause to be provided such annual financial information on a timely basis on two occasions and has failed to provide or to cause to be provided such annual financial information entirely on two other occasions. Additionally, while for the most recently fiscal years of the Housing Authority for which annual audited financial statements are available, those financial statements were timely provided, certain supplemental information to be included as part of such annual financial information was not included with the material provided.

The Authority has engaged the Dissemination Agent to assist the Authority with filing the above described missing information as soon as possible and to ensure ongoing compliance with its continuing disclosure filing requirements in the future. As part of its services, the Dissemination Agent provides its clients with automated filing of rating events, templates consolidating all outstanding filing requirements

that accompany reminder notices of annual or interim mandatory filings, review of all template filings by professional accountants, as well as a time and date stamp record of each filing with the unique identification number from EMMA accompanying the copy of the actual document filed. The Dissemination Agent also offers its clients a series of training webinars each year, which qualify for continuing professional education credits, as well as model secondary market compliance policies and procedures.

The Authority plans to regularly review the effectiveness of its procedures for the timely filing of such information on a going forward basis, and to take prompt action to remedy any deficiencies of which it becomes aware.

AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY

Attached as APPENDIX F are the Authority's audited financial statements for its fiscal year ending December 31, 2015.

RATING

It is a condition to closing that S&P Global Ratings ("S&P") assign the rating of "AA-" to the 2017 Bonds. Such credit rating reflects only the view of S&P. An explanation of the significance of such credit rating may be obtained from S&P. There is no assurance that such credit rating will continue for any given period of time or that it will not be revised or withdrawn entirely by such credit rating agency if, in its judgment, circumstances so warrant. Neither the Authority nor the Placement Agent have undertaken any responsibility either to bring to the attention of the owners of the 2017 Bonds any proposed change in or withdrawal of such credit ratings or to oppose any such proposed revision. Any such downward change in or withdrawal of such credit rating may have an adverse effect on the market price of the 2017 Bonds.

ABSENCE OF LITIGATION

The Authority from time to time is involved in lawsuits that arise out of the ordinary course of operating public housing developments and related programs. Some of the cases pending against the Authority may involve claims for substantial moneys. As is true with any complex litigation, neither the Authority nor its counsel is able to predict either the eventual outcome of any such litigation or its impact on its finances.

Upon delivery of the 2017 Bonds, the Authority will deliver, or cause to be delivered, a certificate of the Authority substantially to the effect that, among other things, there is no litigation pending in any court seeking to restrain or enjoin the issuance or delivery of the 2017 Bonds, or in any way contesting the validity or enforceability of the 2017 Bonds or the assignment of its Capital Fund Grant Moneys under the ACC Financing Amendment or any proceedings of the Authority taken with respect to the transactions described herein, or contesting in any material respect the completeness or accuracy of the Placement Memorandum or any supplement or amendment thereto, contesting its ability to perform its obligations under the 2017 Bonds or the Indenture, or challenging the exclusion of interest on the 2017 Bonds from gross income for federal income tax purposes.

MISCELLANEOUS

The descriptions in this Placement Memorandum of various documents do not purport to be complete and are expressly made subject to the exact provisions of the complete documents. Copies of the Indenture and the other documents and agreements referenced herein are on file at the office of the Trustee and may be obtained upon request.

All estimates and other statements in this Placement Memorandum involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

It is anticipated the CUSIP identification numbers will be printed on the 2017 Bonds, but neither the failure to print such numbers on any 2017 Bond nor any error in the printing of such numbers shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for any 2017 Bonds.

The attached Appendices are integral parts of this Placement Memorandum and must be read together with all of the foregoing statements.

BROCKTON HOUSING AUTHORITY

By: /s/ Thomas G. Thibeault
Thomas G. Thibeault
Executive Director

APPENDIX A

SUMMARY OF CERTAIN DEFINITIONS AND CERTAIN PROVISIONS OF THE INDENTURE AND PLEDGE AGREEMENT

The following are definitions of certain words and terms used in this Placement Memorandum and in the Indenture, and a summary of certain provisions of the Indenture and the Pledge Agreement. Reference is made to the Indenture for complete and definitive definitions of such terms. The summaries of the Indenture and the Pledge Agreement do not purport to set forth all of the provisions of said documents to which reference is made to the Indenture and the Pledge Agreement (copies of which are available at the office of the Trustee) for the complete and actual terms thereof.

DEFINITIONS

"Accounts" means the accounts so designated, created and established pursuant to Section 4.1 of the Indenture.

"Act" means Chapter 121B of the laws of the Commonwealth of Massachusetts, as amended, as the same may be further amended from time to time.

"Additional Bonds" means one or more series of bonds, notes or other evidences of indebtedness, other than the Series 2017 Bonds, issued pursuant to the terms of Section 2.15 of the Indenture and secured by the Trust Estate on a parity with the Series 2017 Bonds.

"Annual Debt Service" means the total of the Applicable Debt Service Payments to be made with respect to Outstanding Bonds for the Fiscal Year of calculation.

"Annual Plan" has the meaning given to such term in Section 5.2 of the Indenture.

"Applicable Debt Service Payment" means, with respect to a particular Interest Payment Date, the amount necessary to satisfy the payment requirements under the first paragraph of Section 5.2 of the Indenture for such Interest Payment Date.

"Authority" has the meaning given to such term in the preamble of the Indenture.

"Authority Revenues" means that portion of the Capital Funds to be received by the Authority each Fiscal Year from HUD beginning with the Federal fiscal year ending September 30, 2017, sufficient to (i) pay the principal of and interest on the Series 2017 Bonds and any Additional Bonds then Outstanding pursuant to the Pledge Agreement; and (ii) restore amounts required to meet the Debt Service Reserve Fund Requirement.

"Authorized Denominations" means with respect to the Series 2017 Bonds, \$5,000 or any integral multiple thereof, and with respect to Additional Bonds, as specified in a Supplemental Indenture.

"Authorized Officer" means (a) the Chairperson, Vice Chairperson or Executive Director of the Authority, or when used with reference to any document or act, any person authorized by resolution of the Authority, and (b) an authorized officer of the Trustee assigned to

the corporate trust office of the Trustee, including any vice president, assistant vice president assistant treasurer or any other officer of the Trustee having customarily performing functions similar to those performed by any of the above designated officers and having direct responsibility for the administration of the Indenture and also, with respect to a particular matter, any other officer to whom such matter is referred because of such officer's knowledge of and familiarity with the particular subject, or when used with reference to any document or act, any person authorized by resolution of the Trustee.

"Authorized Officer's Certificate" means a certificate signed by an Authorized Officer.

"Available Moneys" means (i) moneys which have been paid to the Trustee by the Authority and have been on deposit with the Trustee for at least 123 days during and before which no Event of Bankruptcy has occurred, (ii) the proceeds of the sale of refunding obligations, if, in the opinion of nationally recognized counsel experienced in bankruptcy matters acceptable to each Rating Agency then rating the Bonds, if any, the application of such moneys will not constitute a voidable preference in the event of the occurrence of an Event of Bankruptcy, and (iii) investment earnings on any of the moneys described in clauses (i) or (ii) of this definition.

"Bond Counsel" means Harris Beach PLLC or such other independent legal counsel selected by the Authority whose opinions are regularly and generally accepted nationally in the field of municipal finance.

"Bondowner" means a Person in whose name a Bond is registered in the registration books provided for in Section 2.7 of the Indenture.

"Bonds" means the Series 2017 Bonds and Additional Bonds.

"Bond Year" means each one-year period (or shorter period commencing on the Issue Date), that ends on the close of business on the day in the calendar year selected by the Authority (which date shall correspond to the last day of a compounding interval used in computing the Yield on the Bonds). The first Bond Year shall commence on the Issue Date and shall end on September 30, 2017, each subsequent Bond Year shall commence on October 1 and end on September 30, and the last Bond Year shall end on the date of final payment of principal of or interest on the Bonds.

"Business Day" means any day other than (i) a Saturday, a Sunday or any other day on which banks located in the cities in which the principal offices of the Trustee, or the Paying Agent are located, or in New York, New York, are authorized or required to remain closed; or (ii) with respect only to payments to be made by HUD as contemplated by Section 5.2 of the Indenture and by the Pledge Agreement, a day on which the U.S. Department of Housing and Urban Development, the U.S. Department of Treasury or the federal government, are authorized or required to remain closed; or (iii) a day on which the New York Stock Exchange is closed.

"Capital Fund Financing Amendment to Consolidated Contribution Contract" means the Capital Fund Financing Amendment to Consolidated Contribution Contract related to the Bonds and on file with the Authority.

"Capital Funds" means the annual public housing Capital Fund allocation payments granted to the Authority (including, Replacement Housing Factor Grants and Demolition Disposition Transitional Grants) each Fiscal Year by HUD pursuant to 42 U.S.C. §1437g and 24 CFR §968 et. seq., or any substitution, replacement or successor thereto.

"Cede" means Cede & Co., as nominee of DTC.

"City" means the City of Brockton, Massachusetts.

"Code" means the Internal Revenue Code of 1986, as amended.

"Commonwealth" means the Commonwealth of Massachusetts.

"Construction Account" means the account so designated, created and established pursuant to Section 4.1 of the Indenture.

"Construction Fund" means the fund so designated, created and established pursuant to Section 4.1 of the Indenture.

"Continuing Disclosure Agreement" means the agreement to be entered into by the Authority in connection with the issuance of the Series 2017 Bonds as specified in Section 5.8 of the Indenture.

"Co-Paying Agent" means the co-paying agent for the Bonds, if any, designated by the Authority pursuant to Section 2.10 of the Indenture, and its successor or successors.

"Costs of Issuance" means all costs of issuing the Bonds incurred, including Placement Agent fees, legal fees and expenses of Bond Counsel, Placement Agent's counsel and other specialized counsel, financial advisory fees, rating agency fees, initial trustee fees, paying, certifying and registration agent fees, accounting fees, printing fees, public hearing fees, and feasibility studies related to the issuance of the Bonds.

"Costs of Issuance Account" means the account so designated, created and established pursuant to Section 4.1 of the Indenture.

"Dated Date" means the Issue Date.

"Debt Service Fund" means the fund so designated, created and established pursuant to Section 4.1 of the Indenture.

"Debt Service Reserve Fund" means the fund so designated, created and established pursuant to Section 4.1 of the Indenture.

"Debt Service Reserve Fund Requirement" means, with respect to the Series 2017 Bonds, an amount determined pursuant to an Authorized Officer's Certificate of the Authority on the Issue Date to be equal to one-half of the maximum annual debt service requirements on all Series 2017 Bonds Outstanding and payable in any future year, and with respect to Additional Bonds issued under the Indenture, an amount determined pursuant to a Supplemental Indenture.

"Defeasance Obligations" means (i) Government Obligations; (ii) Defeased Municipal Obligations, and (iii) evidences of ownership of a proportionate interest in specified Government Obligations, which Government Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian.

"Defeased Municipal Obligations" means pre-refunded municipal obligations rated "AAA" by S&P, "Aaa" by Moody's and "AAA" by Fitch (but only to the extent that any such rating agency is then rating the Bonds), and meeting the following requirements:

(a) the municipal obligations are (i) not subject to redemption prior to maturity, or (ii) issuer, the trustee or the paying agent for such obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions; and

(b) the municipal obligations are fully secured by cash or Government Obligations which may be applied only to payment of the principal of and interest and premium, if any, on such municipal obligations.

"DTC" means The Depository Trust Company, acting as securities depository as set out in Section 2.13 of the Indenture.

"DTC Letter of Representations" means the Blanket Issuer Letter of Representations, by and between the Authority and DTC.

"Event of Bankruptcy" means the commencement of a case by the Authority or by creditors of the Authority under the Bankruptcy Code or under any other domestic bankruptcy act or any similar act which after the date of the Indenture may be enacted (other than such proceedings initiated by the Authority against third parties) unless such case has been dismissed and such dismissal is final and not subject to appeal.

"Event of Default" means with respect to the Indenture each of those events set forth in Section 7.1 of the Indenture.

"Federal Public Housing Requirements" has the meaning set forth in Section 5.6 of the Indenture.

"Fiscal Year" means the annual accounting period of the Authority as established by the Authority or by applicable law from time to time.

"Fitch" means Fitch IBCA Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority.

"Funds" means the funds so designated, created and established pursuant to Section 4.1 of the Indenture.

"Governmental Authority" means the United States of America, the state in which the Project is located, any political subdivision of any of them, and any court, agency, department, commission, board, bureau or instrumentality of any of them.

"Government Obligations" means direct obligations of, or obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America, and other securities listed in paragraph (a) of the definition of "Qualified Investments".

"HUD" means the United States Department of Housing and Urban Development.

"HUD Approval Letter" means the HUD approval letter related to the Series 2017 Bonds on file with the Authority.

"Indenture" means the Indenture of Trust, dated as of June 1, 2017, by and between the Authority and the Trustee, as amended from time to time, and all indentures supplemental to the Indenture.

"Interest Account" means the account so designated, created and established pursuant to Section 4.1 of the Indenture.

"Interest Payment Date" means, with respect to the Series 2017 Bonds, January 1 and July 1 of each year, commencing January 1, 2018 and continuing until, as to any Series 2017 Bond, the maturity date or redemption date thereof, and with respect to Additional Bonds issued under the Indenture, the dates specified for the payment of interest pursuant to a Supplemental Indenture.

"Issue Date" means the date on which the Authority receives the purchase price of the Bonds in exchange for delivery of the Bonds, which shall be June 13, 2017.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority.

"Opinion of Counsel" means an opinion in writing signed by Bond Counsel or an attorney or firm of attorneys acceptable to the Trustee.

"Outstanding", when used with respect to the Bonds, means as of any date of determination, all Bonds authenticated and delivered under the Indenture, except: (a) any Bond canceled by the Trustee or delivered to the Trustee for cancellation prior to such date; (b) any Bond or portion thereof paid or redeemed paid in accordance with Article XI of the Indenture; and (c) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to the Indenture.

"Owner" means a Person in whose name a Bond is registered in the registration books provided for in Section 2.7 of the Indenture.

"Paying Agent" means the paying agent designated pursuant to Section 2.9 of the Indenture.

"Person" means any entity, whether an individual, trustee, association, corporation, general partnership, limited partnership, limited liability company, limited liability partnership, joint stock company, joint venture, trust, estate, unincorporated organization, Indian tribe, firm, or government or any agency or political subdivision thereof

"Placement Agent" means, with respect to the Series 2017 Bonds, Beekman Securities, Inc., and its successors and assigns.

"Placement Memorandum" means the Placement Memorandum of the Authority, dated the date thereof, with respect to the issuance and placement of the Series 2017 Bonds.

"Plans" means any and all plans, specifications and contracts for the design and construction of the Project.

"Pledge Agreement" means the Pledge and Security Agreement, dated as of June 1, 2017, by and between the Authority and the Trustee, pursuant to which a portion of the Capital Funds in an amount sufficient to pay interest and principal on the Series 2017 Bonds has been pledged to, and a security interest granted in favor of, the Trustee as part of the Trust Estate, together with all amendments thereto for issuance of Additional Bonds in accordance with Section 2.14 of the Indenture.

"Principal Account" means the account so designated, created and established pursuant to Section 4.1 of the Indenture.

"Principal Payment Date" means, with respect to the Series 2017 Bonds, January 1 of each year, commencing January 1, 2018, and with respect to Additional Bonds issued under the Indenture, the dates specified for the payment of principal or Sinking Fund Installments pursuant to a Supplemental Indenture.

"Project" means with respect to the Series 2017 Bonds financing a certain project consisting of: (A) prepayment of the outstanding \$5,335,000 loan to the Authority by the Massachusetts Housing Finance Agency ("MassHousing"), together with interest thereon and fees and expenses relating to such prepayment, which loan was funded by a proportionate amount of MassHousing's Capital Fund Securitization Revenue Bonds, 2005 Series A (the "Series 2005 A Bonds"); (B) financing of the costs of modernization, renovation and revitalization of certain of the Authority's housing projects, including, without limitation, the renovation, replacement and equipping of certain elevators and fire safety systems at Belair Tower and site improvements and exterior renovations to various building facilities at Campello High Rise and Hillside Village, as well as flooring replacement at numerous sites (collectively, the "Renovation Improvements"); (C) funding of the Debt Service Reserve Fund in an amount equal to the Debt Service Reserve Fund Requirement and (D) paying certain costs of issuance of the Series 2017 Bonds.

"Project Costs" means any and all costs of the Project to be financed with the proceeds of the Bonds, as permitted under the Act, the Indenture and the Tax Regulatory Certificate. In no event shall penalties of any nature imposed on the Authority constitute eligible Project Costs.

"Property" means property of every kind and nature, whether real, personal or mixed, or tangible or intangible.

"Qualified Investments" means, to the extent the same are at the time legal for investment of funds of the Authority under the Act or under other applicable law:

(a) (i) Government Obligations, and (ii) bonds, debentures, notes or other obligations issued or guaranteed by any of the following: Federal National Mortgage Association, the Federal Financing Bank, the Federal Home Loan Mortgage Association, the Farmers Home Administration, the Federal Housing Administration, the Government National Mortgage Association, or any other agency controlled by or supervised by and acting as an instrumentality of the United States government;

(b) certificates of deposit issued by, and time deposits in, and bankers' acceptances of, any bank (including any Paying Agent or Trustee), any branch of any bank, national banking association or federally chartered savings and loan association; provided that the issuer of such certificates of deposit or time deposits or bankers' acceptances is rated in one of the two highest Rating Categories by Moody's, S&P and Fitch and no lower than the rating on the Bonds (but only to the extent that any such rating agency is then rating the Bonds), such certificates of deposit or time deposits or bankers' acceptances are (i) insured by the Federal Deposit Insurance Corporation for the full face amount thereof, or (ii) to the extent not so insured, collateralized by direct obligations of the United States of America having a market value of not less than the face amount of such certificates and deposits;

(c) evidences of ownership of a proportionate interest in specified direct obligations of the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian;

(d) obligations of state or local government municipal bond issuers which are rated in one of the two highest Rating Categories by S&P, Moody's and Fitch and no lower than the rating on the Bonds (but only to the extent that any such rating agency is then rating the Bonds);

(e) obligations of state or local government municipal bond issuers the principal of and interest on which, when due and payable, have been insured by an insurance policy or guaranteed by a letter of credit and which are rated in one of the two highest Rating Categories by S&P, Moody's and Fitch and no lower than the rating on the Bonds (but only to the extent that any such rating agency is then rating the Bonds);

(f) interests in a money market mutual fund registered under the Investment Company Act of 1940, 15 U.S.C. §§80-1, et seq., as from time to time amended, the portfolio of which is limited to obligations described in clause (a), (d), or (e) above and repurchase agreements fully collateralized thereby provided that such fund has total assets of at least \$100,000,000 and are rated in the highest Rating Category by S&P, Moody's and Fitch (but only to the extent that any such rating agency is then rating the Bonds), including funds for which the Trustee or its affiliates receives fees for investment advisory or other services to such fund;

(g) evidences of ownership of a proportionate interest in specified Defeased Municipal Obligations which Defeased Municipal Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian;

(h) any repurchase agreement for Government Obligations by the Authority or any Trustee that is with a bank, trust company (including any Trustee) or securities dealer which is a member of the Securities Investors Protective Corporation, each of which is rated in one of the two highest Rating Categories by S&P, Moody's and Fitch and no lower than the rating on the Bonds (but only to the extent such rating agency is then rating the Bonds) and a primary reporting dealer in government securities as determined by the Federal Reserve Bank, or if "primary reporting dealers" cease to be determined by the Federal Reserve Bank, such other comparable standard as the Authority shall implement pursuant to a Supplemental Indenture; provided, however, that the Government Obligations must be transferred to the Authority or any Trustee or a third party agent by physical delivery or by an entry made on the records of the issuer or registrar of such obligations, and the collateral security must continually have a market value at least equal to the amount so invested and the collateral must be free of third party claims. Any investment in a repurchase agreement shall be considered to mature on the date the bank, trust company or recognized securities dealer providing the repurchase agreement is obligated to repurchase the Government Obligations;

(i) commercial paper rated in the highest Rating Category by S&P, Moody's and Fitch (but only to the extent that any such rating agency is then rating the Bonds);

(j) investment agreements, including guaranteed investment contracts, with a provider rated at a level which does not adversely affect the rating on the Bonds and which is in form acceptable to the Ratings Agencies then rating the Bonds Outstanding; and

(k) any other obligations from time to time permitted pursuant to the Act or other applicable law, provided, however, that if the funds invested in any such obligation are pledged for the payment of Bonds under the Indenture and the Bonds are then rated by Moody's, S&P or Fitch (but only to the extent that any such rating agency is then rating the Bonds), such obligation shall be rated in one of the two highest Rating Categories of each such rating agency and no lower than each applicable rating on the Bonds.

Any investment in obligations described in (a), (c), (d), (e), (f), (g), (h), (i) and (j) above may be made in the form of an entry made on the records of the issuer of the particular obligation.

"Rating Agency" means S&P, Moody's and Fitch to the extent then rating the Bonds.

"Rating Categories" means one of the generic rating categories of Moody's, S&P or Fitch without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

"Rebate Amount" means an amount, if any, determined in accordance with the Tax Regulatory Certificate to be rebated to the United States Treasury pursuant to Section 148 of the Code.

"Rebate Fund" means the fund so designated, created and established pursuant to Section 4.1 of the Indenture.

"Record Date" means the fifteenth (15th) day (whether or not a Business Day) of the calendar month next preceding each such Interest Payment Date.

"Redemption Fund" means the fund so designated, created and established pursuant to Section 4.1 of the Indenture.

"Redemption Price" means, with respect to Bonds or a portion thereof, the principal amount of such Bonds or portion thereof plus the applicable premium, if any, payable on redemption thereof in the manner contemplated in accordance with its terms and the Indenture.

"Registered Owner" means a Person in whose name a Bond is registered in the registration books provided for in Section 2.7 of the Indenture.

"Regulations" means the proposed, temporary or final Income Tax Regulations promulgated under the Code, as such regulations may be amended for time to time.

"Requisition" means a requisition for Project Costs or Costs of Issuance in the form of Exhibit B to the Indenture, as may be amended by the Authority with the consent of the Trustee.

"Resolution" means, with respect to the Series 2017 Bonds, a resolution of the Authority authorizing the issuance and placement of the Series 2017 Bonds adopted by the Authority on March 22, 2017.

"Revenue Fund" means the fund so designated, created and established pursuant to Section 4.1 of the Indenture.

"S&P" means Standard & Poor's Rating Services, a Division of The McGraw-Hill Companies, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority.

"SEC" means the United States Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended, and the applicable regulations and rules promulgated thereunder.

"Series 2005 A Bonds" means the Authority's proportionate share of the Massachusetts Housing Finance Agency Capital Fund Securitization Revenue Bonds, 2005 Series A issued on December 21, 2005.

"Series 2017 Bonds" means the Brockton Housing Authority \$9,630,000 Capital Fund Housing Revenue Bonds, Series 2017, authorized by the Resolution.

"Series 2017 Debt Service Reserve Account" means the account so designated, created and established pursuant to Section 4.1 of the Indenture.

"Sinking Fund Installment" means the amount of money sufficient to redeem Bonds subject to mandatory redemption at the principal amount thereof in the amounts, at the times and in the manner set forth in the Indenture or in a Supplemental Indenture with respect to Additional Bonds.

"Supplemental Indenture" means an indenture, resolution or comparable instrument supplemental to, and authorized and executed pursuant to the terms of, the Indenture.

"Tax-Exempt Bonds" means, collectively, the Series 2017 Bonds and any other Bonds the interest on which is intended to be excluded from gross income for federal income tax purposes, as defined in Section 5.5 of the Indenture.

"Tax Regulatory Certificate" means, with respect to the Series 2017 Bonds, the Tax Regulatory Certificate, dated June 13, 2017, of the Authority and with respect to any Additional Bonds that are Tax-Exempt Bonds, such Tax Regulatory Certificate of the Authority provided in connection therewith.

"Trustee" means Wilmington Trust, National Association and its successor and assigns as permitted in the Indenture.

"Trust Estate" means the Trust Estate as defined in the Granting Clauses of the Indenture.

"Valuation Date" has the meaning given to such term in Section 4.10 of the Indenture.

INDENTURE

Granting Clauses.

The Authority, in consideration of the mutual covenants contained in the Indenture, the purchase of the Bonds by the Owners thereof and for other good and valuable consideration, the receipt of which is hereby acknowledged, and to secure the payment of the principal of, premium, if any, and interest on the Bonds and the payment of all other sums required to be paid under the Indenture and the performance of all the covenants and conditions to be performed under the Indenture, does hereby grant, bargain, sell, convey, release, assign, transfer, pledge, set over, confirm and grant a first priority security interest in, unto the Trustee, and its successors and assigns forever, for the benefit of the Trustee and the Owners and future Owners of the Bonds, the following described property, subject only to the provisions of the Indenture permitting the application thereof or to the purposes and on the terms and conditions set forth in the Indenture (said property being in the Indenture referred to as the "Trust Estate"):

FIRST, all right, title and interest of the Authority in and to Authority Revenues payable to the Authority or to the Trustee for the account of the Authority;

SECOND, all right, title and interest of the Authority in and to all Funds and Accounts established under the Indenture (other than the Rebate Fund) and all moneys (including the proceeds of the Bonds), securities, certificates or other instruments and the earnings thereon held by the Trustee in such Funds and Accounts (other than the Rebate Fund); and

THIRD, all right, title and interest of the Authority in any and all Property delivered, or by writing of any kind, conveyed, mortgaged, pledged, assigned or transferred pursuant to the Pledge Agreement as and for security under the Indenture for the Bonds by the Authority or by anyone on the Authority's behalf to the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to any terms of the Indenture;

TO HAVE AND TO HOLD all and singular the Trust Estate with all privileges and appurtenances hereby conveyed and assigned, or agreed or intended so to be, to the Trustee and its successors in said trust and to them and their assigns forever;

IN TRUST NEVERTHELESS, upon the terms and trusts set forth in the Indenture for the equal and proportionate benefit, security and protection of all Owners of the Bonds issued under and secured by the Indenture without privilege, priority or distinction as to the lien or otherwise of any of the Bonds over any of the others of the Bonds except as expressly provided in the Indenture;

PROVIDED, HOWEVER, that, if the Authority or its successors or assigns shall pay or cause to be paid to the Owners of the Bonds the principal, interest and premium, if any, to become due thereon at the times and in the manner provided in the Indenture and in the Bonds, and if the Authority shall keep, perform and observe, or cause to be kept, performed and observed all its covenants, warranties and agreements contained in the Indenture and all fees and expenses of the Trustee have been paid or provided for, the Indenture and the estate and rights hereby granted shall cease, determine and become void, and thereupon the Trustee shall cancel and discharge the lien of the Indenture and execute and deliver to the Authority such instruments in writing as shall be requisite to satisfy the lien of the Indenture and, if necessary, reconvey to the Authority any property at the time subject to the lien of the Indenture which may then be in its possession except funds held by the Trustee for the payment of interest on, premium, if any, and the principal of the Bonds; otherwise, the Indenture shall be and remain in full force and effect, and upon the trusts and subject to the covenants and conditions set forth in the Indenture.

Indenture, Supplemental Indentures and Bonds Constitute Contracts.

In consideration of the purchase and acceptance of any and all of the Bonds secured and issued under the Indenture: (i) the Indenture shall be deemed to be and shall constitute a contract among the Authority, the Trustee and the Owners from time to time of such Bonds; (ii) the pledge made in the Indenture and the covenants and agreements set forth to be performed by or on behalf of the Authority shall be for the equal and ratable benefit, protection and security of the Owners from time to time of any and all of such Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of such Bonds over any other thereof except as expressly provided in or permitted by the Indenture or by the applicable Supplemental Indenture, if any; (iii) the pledge made by the Indenture shall be valid and binding from the time when the pledge is made and all income and receipts earned on funds held by the Trustee and the Authority under

the Indenture (other than the Rebate Fund), and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof; and (iv) the Bonds shall be limited obligations of the Authority payable from the Trust Estate. (*Section 1.2*)

Paying Agent.

The Authority hereby designates Wilmington Trust, National Association as Paying Agent for the Bonds. The Authority may in its sole discretion discharge the Paying Agent from time to time without cause and appoint a successor. The Authority shall also designate a successor if the Paying Agent resigns or becomes ineligible. The Paying Agent shall be a bank or trust company having a capital and surplus of not less than \$10,000,000 (or such other financial resources acceptable to the Authority in its sole discretion) and shall be registered as a transfer agent with the SEC. The Authority shall give or cause to be given notice of the appointment of a successor Paying Agent in writing to each Bondowner and the Trustee. The Authority will promptly certify to the Trustee that it has mailed or caused to be mailed such notice to all Bondowners and such certificate will be conclusive evidence that such notice was given in the manner required by the Indenture. The Paying Agent may but need not be the same Person as the Trustee. The Paying Agent shall act as such and as Bond registrar and transfer agent. (*Section 2.10*)

Additional Bonds.

The Authority may authorize and issue with the prior written consent of HUD, Additional Bonds under the Indenture subject to confirmation of the then existing rating on Bonds Outstanding and the Additional Bonds by all of the Rating Agencies then rating the Bonds Outstanding. Additional Bonds shall be in the form described, shall be dated, shall bear interest until their maturity at such rate or rates payable on such date or dates and shall mature on such date or dates and shall have such other terms and conditions not inconsistent with the provisions of the Indenture as shall be provided for in any Supplemental Indenture authorizing the issuance thereof.

Each Supplemental Indenture executed in connection with the issuance of one or more series of Additional Bonds shall specify:

- the form, name and series designation of such Additional Bonds;
- the authorized principal amount of such Additional Bonds;
- the general purposes for which such Additional Bonds are being issued and the application of the proceeds of such Additional Bonds;
- the date, maturity dates and amounts of each maturity and the first subsequent payment dates of such Additional Bonds or the manner of determining such items;
- the interest rate or rates of such Additional Bonds, or the manner of determining such rate or rates; and
- any other provisions deemed advisable by the Authority, in lieu of or in substitution for the provisions of the Indenture to the extent such action is permitted to be taken under the Indenture without the consent of the Owners.

The Authority shall also amend the Pledge Agreement and any other documents or instruments of conveyance as counsel to the Authority and the Trustee shall deem necessary to provide for the repayment of the principal of and redemption premium, if any, and interest on Additional Bonds when due.

Notwithstanding the forgoing, the Authority shall not issue Additional Bonds within five (5) years from the Dated Date unless the Authority (i) obligated 90% of the monies deposited in the Construction Fund within two (2) years from the Dated Date, and (ii) expended all monies in the Construction Fund within four (4) years from the Dated Date. (*Section 2.15*)

Use of Defeasance Obligations to Redeem Bonds.

For purposes of all Sections in Article III of the Indenture, Defeasance Obligations are sufficient to pay or redeem Bonds on a specified date if the principal of and the interest on such Defeasance Obligations, when due, are sufficient, as determined by an independent nationally recognized expert, to pay on such date the Redemption Price of, and interest accruing on, such Bonds to such date. (*Section 3.9*)

Establishment of Funds and Accounts.

The following Funds and separate Accounts therein shall be established, held and maintained by the Trustee: (a) Construction Fund, and within the Construction Fund, the: Costs of Issuance Account; and Construction Account; (b) Revenue Fund; (c) Debt Service Fund, and within the Debt Service Fund, the Interest Account; and Principal Account; (d) Debt Service Reserve Fund, and within the Debt Service Reserve Fund, the: Series 2017 Debt Service Reserve Account; (e) Redemption Fund; and (f) Rebate Fund.

For accounting purposes only, the Funds and Accounts above may be further divided into subaccounts to facilitate among other items, the disposition of Authority Revenues. Additional accounts or subaccounts in such Funds or Accounts may be established in connection with the issuance of Additional Bonds pursuant to a Supplemental Indenture and otherwise as determined by the Authority and designated accordingly. (*Section 4.1*)

Application of Moneys in the Construction Fund.

(a) As soon as practicable after the delivery of the Bonds, at the written direction of the Authority, the Trustee shall pay from the Costs of Issuance Account to the firms, corporations or Persons entitled thereto the Costs of Issuance relating to the issuance of the Bonds solely from moneys deposited in the Costs of Issuance Account. Any moneys remaining on hand in the Costs of Issuance Account upon payment of all Costs of Issuance as directed by the Authority shall be transferred to the Construction Account if the Project is not completed, or if the Project is completed, to the Interest Account of the Debt Service Fund.

- Except as provided in Section 4.3(d) and Section 4.6(e) of the Indenture, amounts deposited in the Construction Account shall be used only to pay Project Costs to which the Indenture, or a project defined in such Supplemental Indenture, relates, including reimbursement to the Authority for Project Costs paid by the Authority in connection with the Project. Upon completion of the Project as evidenced in accordance with the next succeeding paragraph, the Trustee shall transfer

the balance on hand in the Construction Account first to the 2017 Debt Service Reserve Account to make up any deficiency therein and then to the Interest Account of the Debt Service Fund for the payment of interest on the Bonds on the next succeeding Interest Payment Date and thereafter, if any remaining balance is on hand, to the Redemption Fund for the special mandatory redemption of the Bonds pursuant to Section 3.3(d) of the Indenture.

Completion of the Project shall be determined by a certificate of the Authority signed by an Authorized Officer thereof and delivered after the date of completion to the Trustee. Such certificate shall state that the acquisition, construction or equipping of the Project has been completed, describe it in terms sufficient for identification, and specify the date of completion. In the case of the acquisition of the Project or any part thereof, completion of such acquisition shall be evidenced by a certificate signed by an Authorized Officer of the Authority and delivered within ten (10) days after the date of completion of such acquisition to the Trustee.

- Payments pursuant to paragraphs (a) and (b) of Section 4.3 of the Indenture shall be requested pursuant to a Requisition submitted to the Trustee by the Authority signed by an Authorized Officer thereof in the forms attached to the Indenture.

- Notwithstanding the other provisions of Section 4.3 of the Indenture, to the extent an Event of Default described in clause (a) or (b) of Section 7.1 of the Indenture shall have occurred and be continuing and no other moneys are available under the Indenture to cure such Event of Default, moneys on deposit in the Construction Fund shall be applied in accordance with Section 7.4 of the Indenture. (*Section 4.3*)

Deposit of Authority Revenues and Allocation Thereof.

Authority Revenues deposited in the Revenue Fund by the Authority or HUD pursuant to Section 5.2 of the Indenture and any other moneys required by any of the provisions of the Indenture to be deposited in the Revenue Fund, shall be promptly paid to the Trustee for deposit to the credit of the Revenue Fund.

Subject to the preceding paragraph, moneys in the Revenue Fund shall be transferred by the Trustee promptly after deposit thereof as follows and in the following order of priority:

FIRST: to the Interest Account in the Debt Service Fund an amount equal to the aggregate of the interest due on the next succeeding Interest Payment Date for all Bonds Outstanding, net of the aggregate amount, if any, on deposit in the Interest Account on (i) the first Business Day after the Issue Date in the case of the first Interest Payment Date or (ii) the first Business Day after the preceding Interest Payment Date otherwise;

SECOND: to the Principal Account in the Debt Service Fund, an amount equal to the aggregate of the principal or Sinking Fund Installment due on the next succeeding Principal Payment Date for all Bonds Outstanding, net of the aggregate amount, if any, on deposit in the Principal Account on (i) the first Business Day after the Issue Date in the case of the first Principal Payment Date or (ii) the first Business Day after the preceding Principal Payment Date otherwise;

THIRD: to the Debt Service Reserve Fund, the amount necessary to restore the amount on deposit therein to the aggregate Debt Service Reserve Fund Requirement for Bonds Outstanding in accordance with Section 4.6(a) of the Indenture;

FOURTH: to the Rebate Fund, any Rebate Amount;

FIFTH: for the payment (solely from that portion of Capital Funds not constituting Authority Revenues), when due, of fees associated with ongoing annual continuing disclosure services and trust services (the Trustee is authorized and directed under the Indenture by the Authority to make such payments upon receipt of an invoice(s) related thereto).

SIXTH: After all required deposits have been made to the Debt Service Fund, the Debt Service Reserve Fund and the Rebate Fund as set forth in Section 4.4 of the Indenture and after payment as set forth in the "FIFTH" paragraph of Section 4.4 of the Indenture, so long as there remain any Bonds Outstanding, moneys in the Revenue Fund shall be used solely for the payment, when due, of debt service on Bonds or for the redemption of Bonds as provided in the Indenture; provided, however, during the occurrence of an Event of Default, the moneys remaining in the Revenue Fund shall be applied in accordance with Section 7.4 of the Indenture. (*Section 4.4*)

Application of Moneys in the Debt Service Fund.

The Trustee shall transfer moneys out of the Interest Account to the Paying Agent on the Business Day next preceding each Interest Payment Date for the payment of interest then due on the Bonds. The Trustee shall pay out of such Interest Account to the Paying Agent any amounts required for the payment of accrued interest upon any redemption or purchase of the Bonds.

The Trustee shall transfer moneys out of the Principal Account to the Paying Agent on the Business Day next preceding each Principal Payment Date for the payment of the principal amount or Sinking Fund Installment of the Bonds then due. (*Section 4.5*)

Application of Moneys in the Debt Service Reserve Fund.

(b) There shall be deposited and maintained in the Debt Service Reserve Fund the Debt Service Reserve Fund Requirement for the Bonds, subject to withdrawal and restoration as provided for in Section 4.6 of the Indenture. In the event the amount on deposit in the Interest Account or the Principal Account is insufficient to pay interest on or principal of the Bonds coming due, the Trustee shall apply amounts on deposit in the Debt Service Reserve Fund for such Bonds to pay such deficiency in the interest coming due or such principal due on the Bonds.

Any deficiency in the Debt Service Reserve Fund Requirement for the Bonds shall be restored from Authority Revenues on or before the next succeeding Interest Payment Date in the case of a deficiency caused by a valuation of the Debt Service Reserve Fund in accordance with Section 4.10 of the Indenture, and as soon as possible, but in no event later than the next appropriation to the Authority of Capital Funds in the case of a deficiency caused by a withdrawal from the Debt Service Reserve Fund in accordance with Section 4.6(a) of the Indenture.

- If the amount on deposit in the Debt Service Reserve Fund shall exceed the Debt Service Reserve Fund Requirement then in effect with respect to the Bonds as of any Valuation Date, as valued in accordance with Section 4.10 of the Indenture, the Trustee, at the written direction of the Authority, shall withdraw from the Debt Service Reserve Fund the amount of any excess therein and deposit the moneys so withdrawn to the Interest Account for the next succeeding interest to be paid. Such direction to the Trustee to withdraw funds in excess of the Debt Service Reserve Fund Requirement shall be accompanied by an Authorized Officer's Certificate stating that the amount remaining in the Debt Service Reserve Fund after giving effect to the withdrawal shall not be less than the Debt Service Reserve Fund Requirement. If an Event of Default shall exist and be continuing, all amounts contained in the Debt Service Reserve Fund shall be applied as provided in Section 7.4 of the Indenture.

- In the event of the refunding of any Bonds, the Trustee, at the written direction of an Authorized Officer of the Authority, shall withdraw from the applicable Debt Service Reserve Account within the Debt Service Reserve Fund all or any portion of the amounts accumulated therein with respect to the Bonds to be refunded and deposit such amounts as provided in such written direction, provided that such withdrawal shall not be made unless (i) immediately thereafter the Bonds being refunded shall be deemed to have been paid pursuant to Section 11.1 of the Indenture and (ii) after giving effect to any amounts being simultaneously deposited therein, the amount remaining in the Debt Service Reserve Fund after such withdrawal shall not be less than the Debt Service Reserve Fund Requirement.

- Monies also shall be transferred from the Debt Service Reserve Accounts as and when so provided in Section 7.4(c) of the Indenture.

- If any withdrawal is made from the Series 2017 Debt Service Reserve Account because of the failure of HUD to provide the funds to pay all of the principal amount on the Series 2017 Bonds then an amount equal to that deficiency shall be transferred by the Trustee from moneys on deposit, if any, in the Construction Account to the Series 2017 Debt Service Reserve Account. (*Section 4.6*)

Application of Moneys in the Redemption Fund.

(c) Moneys in the Redemption Fund derived from transfers from the Construction Fund pursuant to Section 4.3(b) of the Indenture shall be applied to payment of the Redemption Price of Bonds, plus accrued interest, if any, thereon to the date set for redemption, in accordance with Section 3.3(d) of the Indenture.

- Subject to the provisions of paragraph (a) above, moneys in the Redemption Fund may be applied to the redemption or purchase of Bonds at prices not exceeding the Redemption Price applicable to the Bonds to be redeemed or purchased plus accrued interest due, in such manner as an Authorized Officer of the Authority may direct in writing. Bonds so redeemed or purchased shall be canceled by the Trustee.

- No moneys shall be applied to the redemption or purchase of Bonds as provided above, unless such moneys qualify as Available Moneys at such time as an agreement to purchase is entered into or a notice of redemption is given. (*Section 4.7*)

Application of Moneys in the Rebate Fund.

All amounts to be deposited into the Rebate Fund and all amounts on deposit in the Rebate Fund shall be paid to the United States Department of the Treasury or returned to the

Authority and used for purposes for which Capital Funds are granted to the Authority by HUD upon receipt of an Authorized Officer's Certificate as provided by the Tax Regulatory Certificate. (*Section 4.8*)

Investment of Moneys.

(d) Any moneys held in any of the Funds or Accounts established under the Indenture may be invested by the Trustee, as directed by the Authority in a written order signed by an Authorized Officer thereof, but only in Qualified Investments; provided however, that the Trustee may follow standing written instructions for the investment of uninvested cash in the event that no written order is received by the Trustee prior to such investment of such moneys. Moneys in the Debt Service Fund shall be invested in Qualified Investments maturing no later than the Principal or Interest Payment Dates for which such moneys shall be required to pay debt service. To the extent applicable, investments under the Indenture shall be in accordance with the General Depository Agreement (HUD Form 51999), dated June 13, 2017, entered into between the Authority and the Trustee.

- Earnings and gains on investments in the Series 2017 Debt Service Reserve Account shall be transferred to the Rebate Fund. Earnings, gains and losses on investments held in all other Funds and Accounts with respect to the Series 2017 Bonds shall be reflected in the Fund or Account from which such moneys to make such investment were held. Earnings, gains and losses on investments with respect to Additional Bonds shall be provided for pursuant to a Supplemental Indenture.

- The Trustee and the Authority may sell or redeem any obligations in which moneys shall have been invested, to the extent necessary to provide cash in the respective Funds or Accounts, to make any payments required to be made therefrom.

- Neither the Trustee nor the Authority shall be liable for any depreciation in the value of any obligations in which moneys of the Funds or Accounts shall be invested, as aforesaid, or for any loss arising from any investment.

- Investment agreements (including guaranteed investment contracts) shall be with a provider rated at a level that does not adversely affect the rating on the Bonds and which are in a form acceptable to the Rating Agencies then rating the Bonds Outstanding as evidenced in writing from the applicable Rating Agencies. (*Section 4.9*)

Valuation.

For purposes of calculating the value of any Qualified Investments in any of the Funds or Accounts established under the Indenture for any purpose under the Indenture, the Trustee shall value such Qualified Investments at the lower of amortized cost or current market value (which measure shall be deemed to include any accrued interest thereon) as of the date of such calculation. Each month, the Trustee shall calculate the value of Qualified Investments contained in the Funds and Accounts as of the last Business Day of the month (each a "Valuation Date") and shall submit a report accounting specifically for each Fund and Account, the assets therein and the withdrawals therefrom, including all earnings and disbursements. (*Section 4.10*)

Application of Moneys in Certain Funds for Retirement of Bonds.

Notwithstanding any other provisions of the Indenture and any Supplemental Indenture, if at any time there are Available Moneys held in the Revenue Fund, the Debt Service

Fund, the Debt Service Reserve Fund and the Redemption Fund sufficient to pay the Redemption Price of all Outstanding Bonds and the interest accruing on such Bonds to the next date when all such Bonds are redeemable, and the Authority shall have paid all amounts owed to the Trustee under the Indenture, and the optional redemption provisions set forth in the Indenture permit the Outstanding Bonds to be redeemed, the Trustee shall so notify the Authority. Upon receipt of such notice, the Authority may request the Trustee to redeem all such Outstanding Bonds. The Trustee shall, upon receipt of such request in writing by the Authority, proceed to redeem all such Outstanding Bonds in the manner provided for redemption of such Bonds by the Indenture and any Supplemental Indenture, and in such event all provisions of Section 11.1 of the Indenture shall be operative. (*Section 4.11*)

Authority Revenues.

The Authority covenants to deposit, or cause to be deposited on or before the third (3rd) Business Day prior to each Interest Payment Date Authority Revenues to the Revenue Fund for application as required pursuant to Section 4.4 of the Indenture which shall be sufficient at all times to pay: (i) the principal of, if any, and interest on the Bonds due on such Principal Payment Date or Interest Payment Date as provided pursuant to Section 4.4 of the Indenture; and (ii) any deficiency in the Debt Service Reserve Fund as required pursuant to Section 4.6(a) of the Indenture. The Authority covenants to deposit, or cause to be deposited, when received that portion of Capital Funds not constituting Authority Revenues to the Revenue Fund for application as required pursuant to Section 4.4 of the Indenture which shall be applied to pay fees associated with ongoing annual continuing disclosure services and trust services.

In order to provide for the timely payment of the Annual Debt Service on the Bonds from Authority Revenues, which shall constitute "payment intangibles" for purposes of § 9-102(a)(61) of Chapter 106 of the Laws of Massachusetts, the Authority covenants to: (a) revise its Annual Plan ("Annual Plan") for Capital Funds to include the Annual Debt Service on the Bonds as an expenditure item in accordance with HUD regulations; (b) submit its revised Annual Plan to HUD not less than seventy-five (75) days (or such lesser time as rules adopted by HUD allow) prior to the end of its fiscal year; (c) request that the payment of the Applicable Debt Service Payment due on the Bonds be disbursed to the Trustee not less than three (3) Business Days prior to each Interest Payment Date; (d) provide for the direct deposit of the Annual Debt Service on the Bonds by HUD to the Trustee; and (e) direct the segregation and restriction of Annual Debt Service on the Bonds to the Trustee from the Authority's Capital Fund allocation, executing such amendments, security agreements, documents, certificates and requests in order to provide for such payment and providing notice to any Rating Agency then rating the Bonds of the establishment of such arrangements. (*Section 5.2*)

Corporate Organization, Authorization and Power.

(e) The Authority is a public body politic and corporate established, duly created and existing under the laws of the Commonwealth with the power under and pursuant to the Act, to execute and deliver the Indenture and the Pledge Agreement and to perform its obligations under the Indenture and under the Pledge Agreement, and to issue and sell the Bonds pursuant to the Indenture.

- The Authority has taken all necessary action and has complied with all provisions of the Constitution of the Commonwealth and the Act required to make

the Indenture, the Pledge Agreement and the Bonds the valid obligations of the Authority which they purport to be; and when executed and delivered by the parties to the Indenture, the Indenture and the Pledge Agreement will constitute valid and binding agreements of the Authority enforceable in accordance with their terms, except as enforceability may be subject to the exercise of judicial discretion in accordance with general equitable principals and to applicable bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of the debtors before the date of the Indenture or after the date of Indenture enacted to the extent that the same may be constitutionally applied, and will be entitled to the benefits of the Indenture.

- When delivered to and paid for by the initial purchasers in accordance with the terms of the Indenture, the Bonds will constitute valid and binding special obligations of the Authority enforceable in accordance with their terms, except as enforceability may be subject to the exercise of judicial discretion in accordance with general equitable principles and to applicable bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors before the date of the Indenture or after the date of Indenture enacted to the extent that the same may be constitutionally applied, and will be entitled to the benefits of the Indenture.

- To the extent within its power, the Authority covenants to preserve its separate legal existence and to keep in full force and effect all rights and licenses to the extent necessary or desirable in the operation of the Authority's business and affairs, not to dissolve, transfer or otherwise dispose of all or substantially all of the Authority's assets, or enter into any other arrangement or disposition which has the effect of transferring the economic benefit or control of all or substantially all of the assets of the Authority, or used by the Authority, including but not limited to the Project, change the use of Capital Funds pledged under the Indenture and not to consolidate with or merge with or into another legal entity; except that the Authority may, without violating the foregoing, consolidate with or merge into another legal entity or permit one or more other legal entities to consolidate with or merge into it, or transfer all or substantially all of the assets, or enter into any other arrangement or disposition which has the effect of transferring the economic benefit or control of all or substantially all of the assets of the Authority, or used by the Authority, including but not limited to the Project, to another such legal entity or entities (and thereafter dissolve, or not dissolve as the Authority may elect) or change the use of Capital Funds pledged under the Indenture if the following requirements are complied with:

- The legal entity surviving such merger or resulting from such consolidation or transfer of assets and owning and operating such assets (if other than the Authority) has expressly assumed in writing all of the obligations of and restrictions on the Authority contained in the Indenture and the Pledge Agreement.

- The Authority, at its own expense, shall furnish the Trustee with an opinion of Bond Counsel that such merger, consolidation or sale of assets does not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes.

- The security interest in and the lien on and pledge of the Trust Estate shall be in full force and effect and will not in any manner be affected thereby.

- No Event of Default has occurred which has not been cured, or will not be cured thereby.

- The Authority shall receive the prior written consent of HUD approving such merger, consolidation, or sale of assets. (*Section 5.3*)

Indebtedness and Liens.

The Authority, so long as any Bonds shall be Outstanding, shall not issue any bonds, notes or other evidence of indebtedness secured by any pledge of or other lien or charge on Authority Revenues or other moneys, securities or funds paid or to be paid to or held or set aside or to be held or set aside by the Authority or the Trustee under the Indenture other than Additional Bonds pursuant to Section 2.15 of the Indenture. The Authority shall not create or cause to be created any lien or charge on the Authority Revenues or such moneys or securities or funds, other than the lien and pledge on the Authority Revenues or such moneys, securities or funds created or permitted by the Indenture. (*Section 5.4*)

Tax Covenants.

(f) The Authority covenants to comply with each requirement of the Code necessary to maintain the exclusion of interest on the Series 2017 Bonds, and any other Bonds the interest on which is intended to be excluded from gross income for federal income tax purposes ("Tax-Exempt Bonds"), from gross income for federal income tax purposes pursuant to Section 103 of the Code. In furtherance of the covenant contained in the preceding sentence, the Authority agrees to comply with the Tax Regulatory Certificate.

- The Authority covenants that it will not take any action or fail to take any action with respect to the Series 2017 Bonds and any other Tax-Exempt Bonds which would cause the Bonds to be "arbitrage bonds" within the meaning of such term as used in Section 148 of the Code.

- The Authority shall not take or permit any action or fail to take any action that would cause the Series 2017 Bonds and any other Tax-Exempt Bonds to be "private activity bonds" within the meaning of such term as used in Section 141 of the Code.

- The Authority shall make any and all payments required to be made to the United States Treasury in connection with the Series 2017 Bonds and any other Tax-Exempt Bonds pursuant to Section 148 of the Code.

- Notwithstanding any other provision of the Indenture to the contrary, so long as necessary in order to maintain the exclusion of interest on the Series 2017 Bonds and any other Tax-Exempt Bonds from gross income for federal income tax purposes under Section 103 of the Code, the covenants contained in Section 5.5 of the Indenture shall survive the payment of such Bonds, including any payment or defeasance thereof pursuant to Section 11.1 of the Indenture. (*Section 5.5*)

HUD Requirements.

The Authority agrees that to the extent that any provision of the Indenture is in conflict with requirements of the United States Housing Act of 1937, as amended from time to time, applicable federal regulations or any Consolidated Annual Contributions Contract, entered into by HUD and the Authority, or applicable declaration of trust of the Authority creating a lien in favor of HUD, as the foregoing may be amended from time to time (such United States Housing Act of 1937, as amended from time to time, together with any Annual Contributions Contract and such declaration of trust, collectively "Federal Public Housing Requirements"),

such Federal Public Housing Requirements shall control and govern in such instances of conflict. Unless required by the Federal Public Housing Requirements, the Authority covenants not to take actions which would reduce Capital Funds available below the amount necessary to make each Applicable Debt Service Payment. The Authority warrants and represents that it is not currently planning any reduction in housing units which would adversely affect the ratings on the Bonds. Without limiting the generality of the foregoing, the Authority shall maintain property insurance in accordance with the Federal Public Housing Requirements. Copies of the HUD Approval Letter and the Capital Fund Financing Amendment to Consolidated Contribution Contract related to the Bonds are on file with the Authority. (*Section 5.6*)

Damage To or Condemnation of the Project.

In the event of damage, destruction or condemnation of all or a part of the Project, the Authority shall determine if it is feasible to restore, reconstruct and/or repair any damaged or destroyed portion of the Project with the proceeds of insurance or condemnation. If such restoration, reconstruction and/or repair is determined by the Authority to be feasible, the Authority shall promptly restore, reconstruct and/or repair the Project. If such restoration, reconstruction and/or repair is not determined by the Authority to be feasible, the Authority, shall in accordance with all applicable laws and subject to HUD approval, deposit the insurance proceeds or condemnation proceeds it receives into the Redemption Fund and the Authority, shall provide the Trustee with written direction, pursuant to Section 3.3 of the Indenture, to redeem the Bonds in whole, or in part, in an amount equal to the amount deposited in the Redemption Fund. (*Section 5.7*)

Continuing Disclosure.

Pursuant to the Continuing Disclosure Agreement, the Authority has covenanted to ensure the accurate, timely and continuing disclosure of information pursuant to Rule 15c2-12 adopted by the SEC. Notwithstanding any other provision of the Indenture, failure of the Authority or the dissemination agent or any obligated Person to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default under the Indenture. (*Section 5.8*)

Obligation of Trustee.

The Trustee shall be under no obligation to institute any suit, or to take any proceeding under the Indenture or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of the trusts hereby created or in the enforcement of any rights and powers under the Indenture, until it shall be paid or reimbursed or indemnified to its satisfaction against any and all reasonable costs and expenses, outlays and counsel fees and expenses and other reasonable disbursements. The Trustee may nevertheless begin suit, or appear in and defend any suit, or do anything else in its judgment proper to be done by it as the Trustee, and in such case the Authority shall reimburse the Trustee for all costs and expenses, outlays and counsel fees and expenses and other reasonable disbursements incurred in connection therewith. (*Section 6.2*)

Responsibilities of Trustee.

(g) The recitals contained in the Indenture, any Supplemental Indenture, the Placement Memorandum and in the Bonds shall be taken as the statements of the Authority and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the validity or sufficiency of the Indenture, any Supplemental Indenture or of the Bonds or in respect of the security afforded by the Indenture or any Supplemental Indenture and the Trustee shall incur no responsibility in respect thereof. The Trustee shall be under no responsibility or duty with respect to (i) the issuance of the Bonds for value; or (ii) the application of the proceeds thereof, provided that such proceeds are paid out in accordance with the Indenture; or (iii) the application of any moneys paid to the Authority or others in accordance with the Indenture; or (iv) the recording or rerecording, registration or reregistration, filing or refiling of the Indenture; or (v) the validity of the execution by the Authority of the Indenture. The Trustee may require of the Authority full information and advice regarding the performance of the covenants, conditions and agreements contained in the Indenture. The Trustee shall not be liable in connection with the performance of its duties under the Indenture except for its own negligence or willful misconduct.

- Except as otherwise provided in the Indenture, the Trustee shall not be bound to recognize any Person as an Owner of any Bond or to take action at such Person's request, unless such Person shall be the Bondowner of such Bond. Any action duly taken by the Trustee pursuant to the Indenture upon the request, authority or consent of any Person who at the time of making such request or giving such authority or consent is the Bondowner of any Bond secured by the Indenture shall be conclusive and binding upon all future Bondowners of such Bond.

- The duties and obligations of the Trustee shall be determined by the express provisions of the Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in the Indenture. In the case of an Event of Default specified in Article VII of the Indenture, which Event of Default has not been cured or waived and of which the Trustee has actual knowledge, the Trustee shall exercise such of the rights and powers vested in it by the Indenture and shall use the same degree of care and skill in its exercise thereof as a prudent Person would exercise or use under the circumstances in the conduct of his or her own affairs. The curing of an Event of Default shall restore the parties to their former positions and rights under the Indenture and all rights, remedies and powers of the Trustee shall continue as if such Event of Default had not occurred.

- The Trustee shall not be charged with knowledge of any default or Event of Default under the Indenture or that a petition in bankruptcy has been filed or is pending by or against the Authority or that a similar proceeding has been instituted or is pending under state insolvency or other laws affecting creditors' rights generally, unless an officer or administrator in the Trustee's corporate trust administration division who is responsible for administering the Indenture has actual knowledge of such default, Event of Default, petition or proceeding.

- The Trustee, upon receipt of documents required to be furnished to it by or on behalf of the Authority pursuant to the Indenture, shall examine the same to determine whether or not such documents conform to the requirements of the Indenture.

- Except as otherwise expressly provided by the provisions of the Indenture, the Trustee shall not be obligated and may not be required to give or furnish any notice, demand, report, request, reply, statement, advice or opinion to the Owner of any Bond and the Trustee shall not incur any liability for its failure or refusal to give or furnish the same unless obligated or required to do so by an express provision of the Indenture. The Trustee shall not be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture. The Trustee shall incur no liability in respect of any action taken or omitted by it in accordance with the direction of the Bondowners of the percentage of the Bonds specified in the Indenture relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee under the Indenture.

- The Trustee shall not be liable for interest on any funds deposited with it under the Indenture, except as provided in the Indenture or as the Trustee may otherwise specifically agree in writing.

- In no event shall the Trustee be liable for incidental, indirect, special, consequential or punitive damages or penalties (including, but not limited to lost profits), even if the Trustee has been advised of the likelihood of such damages or penalty and regardless of the form of action.

- The Trustee shall not be responsible for delays or failures in performance resulting from acts beyond its control, including without limitation acts of god, strikes, lockouts, riots, acts of war or terror, epidemics, governmental regulations, fire, communication line failures, computer viruses or failures, power failures, earthquakes or other disasters.

- The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities under the Indenture, and to each authorized agent, other agent, custodian and other Person employed to act hereunder.

- The delivery of reports, information and documents to the Trustee under the Indenture for informational purposes only and the Trustee's receipt of the foregoing will not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Authority's compliance with any of its covenants under the Indenture (as to which the Trustee is entitled to rely exclusively on officer's certificates).

- The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture, and may refuse to perform any duty or exercise any such rights or powers unless it shall have been offered and provided security and/or indemnity to its satisfaction against the costs, expenses and liabilities which may be incurred therein or thereby.

- The Trustee shall be responsible for filing all UCC continuation statements in a timely manner with respect to all UCC financing statements naming the Trustee as a secured party or assignee, copies of which are provided to the Trustee. The Authority authorizes the Trustee to make any such UCC continuation statement filings without any further consent of the Authority required. (*Section 6.3*)

Resignation of Trustee.

The Trustee, or any successor thereof, may at any time resign and be discharged of its duties and obligations under the Indenture by giving not less than thirty (30) days' written notice to the Authority and the Bondowners, specifying the date when such resignation shall take effect, provided such resignation shall not take effect until a successor is appointed. Resignation shall take effect upon the date a successor shall have been appointed by the Authority or a court of competent jurisdiction as provided in Section 6.10 of the Indenture. (*Section 6.8*)

Removal of Trustee.

The Trustee, or any successor thereof, may be removed at any time by the Authority, if no Event of Default shall have occurred and be continuing, or by the Owners of a majority in principal amount of Outstanding Bonds, excluding any Bonds held by or for the account of the Authority, by an instrument or concurrent instruments in writing signed and acknowledged by such Bondowners or by their attorneys in fact duly authorized and delivered to the Authority, provided that such removal shall not take effect until a successor is appointed. Copies of each instrument providing for any such removal shall be delivered by the Authority to the Trustee and any successor thereof. (*Section 6.9*)

Successor Trustee.

In case the Trustee, or any successor thereof, shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee or of its property shall be appointed, or if any public officer shall take charge of control of the Trustee, or of its property or affairs, the Authority shall forthwith appoint a Trustee to act unless an appointment is made by the Bondowners. Notice of any such appointment shall be delivered by the Authority to the Trustee so appointed and the predecessor Trustee. The Authority shall give or cause to be given written notice of any such appointment to the Bondowners. Any appointment made by the Authority shall, immediately and without further act, be superseded and revoked by an appointment subsequently made by Bondowners. A successor Trustee may be appointed by the Owners of a majority in principal amount of the Outstanding Bonds, excluding any Bonds held by or for the account of the Authority, by an instrument or concurrent instruments in writing signed and acknowledged by such Bondowners or by their attorneys in fact duly authorized and delivered to such successor Trustee with notification thereof being given to the predecessor Trustee and the Authority.

If no appointment of a successor shall be made within forty five (45) days after the giving of written notice in accordance with Section 6.8 of the Indenture or after the occurrence of any other event requiring or authorizing such appointment, the Trustee or any Bondowner may apply to any court of competent jurisdiction for the appointment of such a successor, and such court may thereupon, after such notice, if any, as such court may deem proper, appoint such successor.

Any successor appointed under the provisions of Section 6.10 of the Indenture shall be a bank or trust company or national banking association which is able to accept the appointment on reasonable and customary terms and authorized by law to perform all the duties required by the Indenture, which is approved by the Authority (unless an Event of Default under Section 7.1 of the Indenture exists) and which has a combined capital and surplus aggregating at

least \$50,000,000 (or such other financial resources acceptable to the Authority in its sole discretion), if there be such a bank or trust company or national banking association willing to serve as Trustee under the Trustee. (*Section 6.10*)

Merger or Consolidation of the Trustee.

Any company into which the Trustee may be merged or with which it may be consolidated or any company resulting from any merger or consolidation to which it shall be a party or any company to which such Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a bank or trust company or national banking association qualified to be a successor to such Trustee under the provisions of Section 6.10 of the Trustee (except that the approval of the Authority shall not be required), shall be the successor to such Trustee, without any further act, deed or conveyance. (*Section 6.12*)

Trustee May Fix Record Date.

The Trustee may, but shall not be obligated to, fix a record date for the purpose of determining the Bondowners entitled to give their consent or take any other action pursuant to the Indenture. If a record date is fixed, then at such record date only those Persons (or their duly designated proxies), shall be entitled to give such consent or to revoke any consent previously given or to take any such action, whether or not such Persons continue to be Owners after such record date. No such consent shall be valid or effective for more than 120 days after such record date. (*Section 6.15*)

When Treasury Bonds Disregarded.

In determining whether the Owners of the required principal amount of Bonds have concurred in any direction, waiver or consent, Bonds owned by the Authority or by any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Authority shall be disregarded and deemed not to be Outstanding, except that, for the purpose of determining whether the Trustee and the Paying Agent shall be protected in relying on any such direction, waiver or consent, only Bonds which the Trustee or Paying Agent knows are so owned shall be so disregarded. Also, subject to the foregoing, only Bonds Outstanding at the time shall be considered in any such determination. (*Section 6.16*)

Events of Default.

Each of the following events is hereby declared an event of default under the Indenture (in the Indenture called "Event of Default"):

- (h) Payment of the principal or Sinking Fund Installment of any of the Bonds shall not be made when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or
 - Payment of an installment of interest on any Bonds shall not be made when the same shall become due and payable; or
 - The Authority shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in the Indenture or the Pledge Agreement on the part of the Authority to be performed and such default shall continue for thirty (30) days after written notice

specifying such default and requiring same to be remedied shall have been given to the Authority by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Owners of not less than a majority in principal amount of the Outstanding Bonds.

Notwithstanding the foregoing, it shall not be an Event of Default if non-payment of principal, Sinking Fund Installments or interest on the Bonds is due to the failure of the United States Congress to timely appropriate Capital Funds. (*Section 7.1*)

No Right of Acceleration.

Upon the occurrence of an Event of Default under the Indenture, neither the Trustee nor the Bondowners of the Series 2017 Bonds shall have the right to accelerate payment of debt service on or the principal of the Series 2017 Bonds nor declare the principal amount of outstanding Bonds to be immediately due and payable in order to enforce any right to either full or partial payment of the principal of or interest due on the Series 2017 Bonds. (*Section 7.2*)

Enforcement of Remedies.

Upon the happening and continuance of any Event of Default specified in Section 7.1 of the Indenture, then and in every such case, the Trustee may proceed, and upon the written request of the Owners of not less than a majority in principal amount of the Outstanding Bonds, shall proceed (subject to the provisions of Section 6.2 of the Indenture) to protect and enforce its rights and the rights of the Owners of the Bonds under the laws of the Commonwealth or under the Indenture or the Bonds by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained under the Indenture or in aid or execution of any power granted in the Indenture, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy under the Indenture, the Trustee shall be entitled to sue for, enforce payment of, and receive any and all amounts then or during any default becoming, and at any time remaining, due from the Authority for principal or interest or otherwise under any of the provisions of the Indenture or of the Bonds, with interest on overdue payments at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the Indenture and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Owners of such Bonds, and to recover and enforce judgment or decree against the Authority but solely as provided in the Indenture and in such Bonds, for any portion of such amounts remaining unpaid, with interest, cost and expenses, and to collect in any manner provided by law, the moneys adjudged or decreed to be payable.

For the avoidance of doubt, notwithstanding an Event of Default, the Authority shall continue to be obligated to comply with its obligations under Section 5.2 of the Indenture. (*Section 7.3*)

Priority of Payments After Default.

If at any time the moneys held by the Trustee under the Indenture shall not be sufficient to pay the principal of and interest on the Bonds as the same become due and payable,

such moneys together with any moneys then available or thereafter becoming available for such purpose, whether through exercise of the remedies provided for in Article VII of the Indenture or otherwise, shall be applied (after payment of all amounts owing to the Trustee and Paying Agent under the Indenture) as follows:

(i) Unless the principal of all the Bonds shall have become due and payable, all such moneys shall be applied:

FIRST: To the payment to the Persons entitled thereto of all installments of interest on any of the Bonds then due, in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or preference;

SECOND: To the payment to the Persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due (other than Bonds called for redemption or contracted to be purchased for the payment of which moneys are held pursuant to the provisions of the Indenture) with interest upon such Bonds from the respective dates upon which they shall have become due, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full Bonds due on any particular due date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the Persons entitled thereto, without any discrimination or preference; and

THIRD: To the payment of the interest on and the principal of the Bonds as the same become due and payable.

- If the principal of all the Bonds shall have become due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto, without any discrimination or preference.

- After the application of moneys as set forth in paragraph (a) or (b) above, amounts on deposit in Debt Service Reserve Accounts shall be applied solely to the payment of principal and Sinking Fund Installments of and interest on the series of Bonds secured thereby to the extent of any deficiency after the application of moneys as set forth in paragraph (a) or (b) above.

- Whenever moneys are to be applied by the Trustee pursuant to the provisions of Section 7.4 of the Indenture, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The setting aside of such moneys in trust for the proper purpose shall constitute proper application by the Trustee, and the Trustee shall incur no liability whatsoever to the Authority, to any Bondowner or to any other Person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of the Indenture as may be applicable at the time of application by the Trustee. Whenever

the Trustee shall exercise such discretion in applying such moneys it shall fix the date (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date. The Trustee shall not be required to make payment to the owner of any unpaid interest or any Bond unless such Bond shall be presented to the Trustee for appropriate endorsement. (*Section 7.4*)

Majority of Bondowners May Control Proceedings.

Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in principal amount of the Outstanding Bonds, shall have the right, subject to the provisions of Section 6.2 of the Indenture, only by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Indenture, provided such direction shall not be otherwise than in accordance with law or the provisions of the Indenture. (*Section 7.6*)

Restrictions Upon Action by Individual Bondowners.

No owner of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Indenture or for any other remedy under the Indenture unless such owner previously shall have given to the Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted, and unless also the Owners of not less than a majority in principal amount of the Outstanding Bonds shall have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Indenture or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of security and indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Indenture or for any other remedy under the Indenture. It is understood and intended that no one or more Owners of the Bonds secured by the Indenture shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or to enforce any right under the Indenture except in the manner in the Indenture provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner in the Indenture provided and for the benefit of all Owners of the Outstanding Bonds. (*Section 7.7*)

Actions by Trustee.

All rights of action under the Indenture or under any of the Bonds secured by the Indenture, enforceable by the Trustee may be enforced by it without the possession of any of such Bonds or the production thereof at the trial or other proceeding relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the benefit of all the Owners of the Bonds, subject to the provisions of the Indenture. (*Section 7.8*)

Remedies Not Exclusive.

No remedy in the Indenture conferred upon or reserved to the Trustee or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or now or after the date of Indenture existing at law or in equity or by statute. (*Section 7.9*)

Waiver and Non-Waiver.

No delay or omission of the Trustee or of any owner of the Bonds 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 of any such default or an acquiescence therein. Every power and remedy given by Article VII of the Indenture to the Trustee and the Owners of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

The Trustee may, and upon written request of the Owners of not less than a majority of the principal amount of the Outstanding Bonds shall, waive any default with respect to the Bonds which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of the Indenture or before the completion of the enforcement of any other remedy under the Indenture; but no such waiver shall extend to or affect any other existing or any subsequent default or defaults or impair any rights or remedies consequent thereon. (*Section 7.10*)

Notice of Default.

The Trustee shall mail or cause to be mailed to HUD and to all Bondowners written notice of the occurrence of any Event of Default set forth in clause (a) or in clause (b) of Section 7.1 of the Indenture promptly, but in no event later than fifteen (15) days, after any such Event of Default shall have occurred. If in any Bond Year the total amount of deposits to the credit of the Debt Service Fund shall be less than the amounts required so to have been deposited under the provisions of the Indenture and/or any Supplemental Indenture, the Trustee, on or before the thirtieth (30th) day of the next succeeding Bond Year, shall mail to HUD and all Bondowners a written notice of the failure to make such deposits. With respect to Events of Default other than as provided above, the Trustee shall, within ninety (90) days after the Trustee receives written notice of the occurrence thereof, give written notice by first class mail to HUD and to Owners of Bonds of all Events of Default under the Indenture known to it, unless such Events of Default have been remedied. The Trustee shall inform HUD and the Authority in writing of all notices of Events of Default. The Trustee shall not, however, be subject to any liability to any such Bondowner by reason of its failure to mail or cause to be mailed any notice required by Section 7.11 of the Indenture. (*Section 7.11*)

Supplemental Indentures Without Consent Of Bondowners.

Notwithstanding any other provisions of Article IX of the Indenture, the Authority and the Trustee may at any time or from time to time enter into a Supplemental Indenture supplementing the Indenture or any Supplemental Indenture so as to modify or amend such indentures, for one or more of the following purposes:

(j) To add to the covenants and agreements of the Authority contained in the Indenture or any Supplemental Indenture, other covenants and agreements thereafter to be observed relative to the acquisition, construction, reconstruction, renovation, equipping, operation, maintenance, development or administration of any Project under the Act or relative to the application, custody, use and disposition of the proceeds of the Bonds; or

- To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Indenture; or

- To grant to or confer on the Trustee for the benefit of the Bondowners any additional rights, remedies, powers, authority, or security which may lawfully be granted or conferred and which are not contrary to or inconsistent with the Indenture as theretofore in effect; or

- To amend the covenants or the provisions of the Indenture in the event there is a material change in the method or the practices of third party reimbursement or otherwise where the Trustee and the Authority determine that the amendment will not materially adversely affect the Trustee or the Bondowners; or

- To amend any covenants or the provisions of the Indenture or of a Supplemental Indenture to conform to the requirements of any Rating Agency then rating the Bonds or in any other manner which does not cause a reduction in any rating on the Bonds; or

- To provide for the issuance of Additional Bonds pursuant to Section 2.15 of the Indenture; or

- To amend the Pledge Agreement pursuant to Section 2.15 of the Indenture.

Supplemental Indentures for the above purposes may be adopted and executed without the consent of any Bondowner.

Notwithstanding anything in the Indenture to the contrary, all amendments or supplements to the Indenture or the Pledge Agreement shall require the prior written consent of HUD. (*Section 9.1*)

Supplemental Indentures With Consent of Bondowners.

(k) At any time or from time to time but subject to the conditions or restrictions contained in the Indenture and each Supplemental Indenture, a Supplemental Indenture may be entered into by the Authority and the Trustee amending or supplementing the Indenture, any Supplemental Indenture or any of the Bonds or releasing the Authority from any of the obligations, covenants, agreements, limitations, conditions or restrictions therein contained. However, no such Supplemental Indenture shall be effective unless such Supplemental Indenture is approved or consented to by the Owners, obtained as provided in Section 10.2 of the Indenture, of at least a majority in aggregate principal amount of all Outstanding Bonds affected thereby.

- Notwithstanding the provisions of paragraph (a) of Section 9.2 of the Indenture, except as provided in Section 9.3 of the Indenture, no such modification changing any terms of redemption of the Bonds, due date of principal or interest on the Bonds or making any reduction in principal or Redemption Price of and interest on any Bonds shall be made without the consent of the affected Bondowner.

- Notwithstanding any other provisions of Section 9.2 of the Indenture, no Supplemental Indenture shall be entered into by the Authority and the Trustee, except as provided in Section 9.3 of the Indenture, reducing the percentage of consent of Bondowners required for any modification of the Indenture or any Supplemental Indenture diminishing the pledge of the Trust Estate securing the Bonds.

- The provisions of paragraph (a) of Section 9.2 of the Indenture shall not be applicable to Supplemental Indentures adopted in accordance with the provisions of Section 9.1 of the Indenture. (*Section 9.2*)

Supplemental Indentures by Unanimous Action.

Notwithstanding anything contained in the foregoing provisions of Article IX of the Indenture, the rights and obligations of the Authority and of the Owners of the Bonds and the terms and provisions of the Indenture, any Supplemental Indenture or the Bonds may be modified or amended in any respect upon the adoption of a Supplemental Indenture by the Authority with the consent of the Owners of all the Outstanding Bonds affected by such modification or amendment, such consent to be given as provided in Section 10.2 of the Indenture, except that no notice to Bondowners by mailing shall be required; provided, however, that no such modification or amendment shall change or modify any of the rights or obligations of the Trustee or Paying Agent without its written consent thereto in addition to the consent of the Bondowners so affected. (*Section 9.3*)

Consent of Bondowners.

When the Authority and the Trustee enter into a Supplemental Indenture making a modification or amendment permitted by and requiring the consent of the Bondowners pursuant to the provisions of Section 9.2 of the Indenture, such Supplemental Indenture shall take effect when and as provided in Section 10.2 of the Indenture. Upon the execution of such Supplemental Indenture, a copy thereof, certified by an Authorized Officer of the Authority, shall be filed with the Trustee for the inspection of the Bondowners affected. A copy of such Supplemental Indenture (or summary thereof) together with a request to such Bondowners for their consent thereto in form satisfactory to the Trustee, shall be mailed or caused to be mailed by the Authority to such Bondowners. Such Supplemental Indenture shall not be effective unless and until there shall have been filed with the Trustee the written consents of the percentages of Owners of Outstanding Bonds in accordance with Section 9.2 of the Indenture. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted in the Indenture. A certificate or certificates by the Trustee, which shall be placed on file, that it examined such proof and that such proof is sufficient, shall be conclusive that the consents have been given by the Owners of the Bonds described in such certificate or certificates of the Trustee. Any consent shall be binding upon the owner of the Bonds giving such consent and on any subsequent owner of such Bonds (whether or not such owner has notice thereof) unless such consent is revoked in writing by the owner of such Bonds giving such consent or a subsequent owner by filing revocation with the Trustee prior to the date when the notice in Section 10.2 of the Indenture provided for is first given. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee which shall be placed on file. At any time after the Owners of the required percentage of Bonds shall have filed their consent to any Supplemental Indenture a notice shall be given or caused to be given to such Bondowners by the Authority by mailing such notice to such Bondowners (but failure to mail such notice shall not prevent such Supplemental Indenture

from becoming effective and binding as provided in the Indenture). The Authority shall file with the Trustee proof of giving such notice. Such notice shall state in substance that any Supplemental Indenture (which may be referred to as an indenture executed by and between the Authority and the Trustee on a stated date, a copy of which is on file with the Trustee) has been consented to by the Owners of the required percentage of Bonds and shall be effective as provided in Section 10.2 of the Indenture. A record, consisting of the papers required or permitted by Section 10.2 of the Indenture to be filed with the Trustee, shall be proof of the matters therein stated. Upon such notice, such Supplemental Indenture making such amendment or modification shall become effective and conclusively binding upon the Authority, the Trustee, and the Owners of all Bonds. (*Section 10.2*)

Exclusion of Bonds.

Bonds owned or held by or for the account of the Authority shall not be deemed Outstanding Bonds for the purpose of any consent or other action or any calculation of Outstanding Bonds provided for in Article IX of the Indenture, and shall not be entitled to consent or take any other action provided for in Article IX of the Indenture. At the time of any consent or other action taken under Article IX of the Indenture, the Authority shall furnish the Trustee a certificate signed by an Authorized Officer upon which the Trustee may rely, describing all Bonds so to be excluded. (*Section 10. 3*)

Defeasance.

When (a) if the Bonds secured hereby have become due and payable in accordance with their terms or otherwise as provided in the Indenture, the whole amount of the principal and the interest and premium, if any, so due and payable on all Bonds is paid, and (b) if the Bonds have not become due and payable in accordance with their terms, the Trustee or the Paying Agent holds sufficient Defeasance Obligations or cash, the principal of and the interest on which, when due and payable, will provide sufficient money to pay the principal of, and the interest and redemption premium, if any, on all Bonds then Outstanding to the maturity date or dates of such Bonds or to the date or dates specified for the redemption thereof and the Authority causes to be delivered to the Trustee a verification or other appropriate report to such effect issued by an independent nationally recognized expert, and (c) if Bonds are to be called for redemption, irrevocable instructions to call the Bonds for redemption have been given by the Authority to the Trustee, and (d) sufficient funds have also been provided or provision made for paying all obligations due to the Trustee and the Paying Agent then and in that case the right, title and interest of the Trustee in the Funds and Accounts mentioned in the Indenture shall then cease, determine and become void and, on demand of the Authority and on being furnished with an opinion, in form and substance satisfactory to the Trustee, of counsel approved by the Trustee, to the effect that all conditions precedent to the release of the Indenture have been satisfied, the Trustee shall release the Indenture and shall execute such documents to evidence such release as may be reasonably required by the Trustee and shall transfer to the Authority any surplus in, and all balances remaining in, all Funds and Accounts, other than money held for the redemption or payment of Bonds or money or Qualified Investments held for the credit of the Rebate Fund. Otherwise, the Indenture shall continue and remain in full force and effect; but if Defeasance Obligations are deposited with and held by the Trustee or the Paying Agent as hereinabove provided, (i) in addition to the requirements set forth in Article III of the Indenture but not as a condition to defeasance, the Trustee, within 30 days after such Defeasance Obligations have been

deposited with it, shall cause a notice signed by the Trustee to be mailed, postage prepaid, to all Owners, setting forth (A) the date or dates, if any, designated for the redemption of the Bonds, (B) a description of the Defeasance Obligations so held by it, and (C) that the Indenture has been released in accordance with the provisions of Section 11.1 of the Indenture, and (ii) (A) the Trustee shall nevertheless retain such rights, powers and privileges under the Indenture as may be necessary and convenient in respect of the Bonds for the payment of the principal, interest and any premium for which such Defeasance Obligations have been deposited, and (B) the Paying Agent shall retain such rights, powers and privileges under the Indenture as may be necessary and convenient for the registration, transfer and exchange of Bonds.

All money and Defeasance Obligations held by the Trustee or the Paying Agent under Section 11.1 of the Indenture shall be held in trust and applied to the payment, when due, of the obligations payable therewith. (*Section 11.1*)

Holidays.

If the date for making any payment or the last date for performance of any act or the exercising of any right as provided in the Indenture, shall not be a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in the Indenture, and no interest shall accrue for the period after such nominal date. (*Section 12.14*)

PLEDGE AND SECURITY AGREEMENT

Grant of Pledge and Security Interest.

The Authority, for value received, hereby grants to the Trustee a pledge of and security interest in the following property, including any proceeds therefrom (referred to in the Pledge Agreement as the "Collateral"):

(a) All right, title and interest of the Authority in an amount of Capital Fund Grants equal to the Annual Debt Service on the Series 2017 Bonds (as set forth in Exhibit A attached to the Pledge Agreement) granted to, and to be received by, the Authority each Fiscal Year from HUD beginning with the Federal fiscal year ending September 30, 2017;

(b) All right, title and interest of the Authority in and to all Funds and Accounts established under the Indenture (other than the Rebate Fund) and all moneys (including the proceeds of the Bonds), securities, certificates or other instruments and the earnings thereon held by the Trustee in such Funds and Accounts (other than the Rebate Fund); and

(c) all substitutions, replacements and successors thereto, to secure the payment and performance of the Obligations. (*Section 2*)

Ownership of Collateral.

The Authority represents that it has the right to convey a pledge of and security interest in such Collateral to the Trustee; and that no other person has or purports to have any right, title, lien, encumbrance, adverse claim, or interest in such property. (*Section 3*)

Acts to be Performed by the Authority.

The Authority agrees as follows:

(a) Payment and Performance. The Authority shall cause HUD to pay directly to the Trustee the Applicable Debt Service Payment on the Bonds from the Capital Fund Grants not less than three (3) Business Days prior to each Interest Payment Date for deposit by the Trustee to the Revenue Fund established under the Indenture. The Authority further covenants and agrees that it shall provide for the direct deposit of the Annual Debt Service on the Bonds to the Trustee, including the segregation and restriction of an amount equal to the Annual Debt Service on the Bonds from the Authority's Capital Funds for direct payment to the Trustee, and shall execute such amendments, security agreements, documents, certificates, forms and requests in order to provide for such payment and providing notice to any Rating Agency then rating the Bonds of the establishment of such arrangements.

(b) Further Assurances. The Authority shall defend the title to the Collateral against all persons and against all claims and demands whatsoever, and, to the extent permitted by law, shall indemnify Trustee for all costs, fees, and expenses incurred in connection with such claims and demands except the Authority may only indemnify to the extent permitted by law and may not indemnify with HUD funds or public housing property acquired or supported by HUD funds. On demand by the Trustee, the Authority shall (i) furnish further assurance of its ability and authority to convey a security interest in such Collateral, (ii) execute any written instrument or do any other acts necessary to make effective the purposes and provisions of the Pledge Agreement, and (iii) execute any instrument or statement required by law or otherwise in order to perfect or continue the security interest of the Trustee in the Collateral and pay all costs of filing in connection therewith.

(c) Sale and Exchange. The Authority shall not, without the written consent of the Trustee, exchange, contract to sell, encumber or transfer the Collateral and whether or not such consent has been obtained, the proceeds of such sale, exchange, or transfer shall be applied to the Obligations secured by the Pledge Agreement, or subject to the security interest of the Pledge Agreement.

(d) Encumbrances. The Authority shall keep the Collateral free from all prior security interests (other than of the Pledge Agreement), liens, claims, charges and encumbrances.

(e) Information. The Authority shall furnish promptly to Trustee any information regarding the Collateral the Trustee may reasonably require. The Authority represents and warrants that any information at any time supplied to the Trustee regarding the Collateral is (or will be) correct.

(f) Notification of Change. The Authority shall notify the Trustee promptly of any change in the Collateral or in the Authority's name, place or places of business or mailing address.

(g) Obtaining Capital Fund Grants. Each Fiscal Year, the Authority shall take all actions and make all filings and submissions reasonably required by HUD in order to obtain Capital Fund Grants to the extent available under applicable law. (*Section 4*)

Default.

A default shall be deemed to exist under the Pledge Agreement upon the happening of one or more of the following events:

(a) Default in Obligations. If an Event of Default has occurred under the Indenture.

(b) Default in Agreement. If the Authority shall fail to perform any covenant, condition or provision of the Pledge Agreement, and such failure shall continue for thirty (30) days after written notice specifying such failure and requiring same to be remedied shall have been given to the Authority by the Trustee, or if any material representation in the Pledge Agreement shall be false or if any material warranty in the Pledge Agreement shall be breached.

(c) Miscellaneous. Without in any way limiting the generality of the foregoing, a default shall be deemed to exist under the Pledge Agreement upon the happening of one or more of the following events:

(i) If the Authority shall fail to comply with any statute, requirement, rule, regulation, order or decree, of any federal, state, municipal or other Governmental Authority relating to the Collateral, which shall adversely affect the Trustee's security interest in the Collateral.

(ii) If the Collateral or any portion thereof, or any interest of the Authority therein, be levied upon or attached by virtue of an execution issued upon any judgment or a writ of attachment of any other process. (*Section 5*)

Remedies Upon Default.

(a) General. Upon the occurrence of an event of default under the Pledge Agreement, the Authority and the Trustee shall have the rights and remedies provided in the Uniform Commercial Code and those provided in the Indenture.

(b) Assembly of Collateral. Upon the occurrence of an event of default under the Pledge Agreement, the Authority shall, upon request of the Trustee, assemble the Collateral and make it available to the Trustee at a place reasonably convenient to both parties designated by the Trustee.

(c) Application of Proceeds. Any proceeds of any disposition of any of the Collateral shall be deposited into the Revenue Fund under the Indenture.

(d) Power to Perform. Upon the occurrence of an event of default under the Pledge Agreement, the Authority hereby irrevocably appoints the Trustee and any other person whom the Trustee may from time to time designate, with full power and authority, acting in its own name or in the name of the Authority, to take and perform all acts, including, without limitation, the filing and the execution and delivery of all instruments or documents, and incur all costs and expenses for the Authority required under any statute, requirement, rule, regulation, order or decree, of any federal, state, municipal or other Governmental Authority relating to the

Collateral in order to allow and provide for the continued receipt by the Authority of Capital Fund Grants. (*Section 6*)

Limited Recourse.

The Trustee's recourse against the Authority for any breach or default under the Pledge Agreement shall be limited to the Trust Estate under the Indenture (including the Collateral). (*Section 7*)

Continuing Security Interest.

The Pledge Agreement shall create a continuing security interest in the Collateral and shall (i) remain in full force and effect until payment and performance in full of all of the Obligations, (ii) be binding upon the Authority, its successors and assigns, and (iii) inure to the benefit of the Trustee and its successors, transferees and assigns. Without limiting the generality of the foregoing clause (iii), the Trustee may assign or otherwise transfer the Pledge Agreement to any successor trustee under the Indenture, and such successor trustee shall thereupon become vested with all the benefits in respect thereof granted to the Trustee under the Pledge Agreement or otherwise. Upon the payment and performance in full of the Obligations, the Authority shall be entitled to the return of such of the Collateral as shall not have been otherwise applied pursuant to the terms of the Pledge Agreement.. (*Section 8*)

Conflicts.

To the extent that any provision of the Pledge Agreement is in conflict with requirements of the Federal Public Housing Requirements, such Federal Public Housing Requirements shall control and govern in such instances of conflict. (*Section 9*)

[END OF APPENDIX A]

APPENDIX B

HUD APPROVAL LETTER



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-5000

OFFICE OF PUBLIC AND INDIAN HOUSING
OFFICE OF CAPITAL PROGRAMS DIVISION

MAY 23 2017

Mr. Thomas G. Thibeault
Executive Director
Brockton Housing Authority
45 Goddard Road
Brockton, MA 02303

Dear Mr. Thibeault:

Thank you for your revised submission to the U.S. Department of Housing and Urban Development ("HUD") dated March 8, 2017, (collectively, the "Submission") requesting certain approvals in connection with a Capital Fund Financing Program (the "CFFP") Proposal with an estimated debt service term of 19 years. The Brockton Housing Authority (the "Authority") is requesting certain approvals in connection with a tax-exempt bond issuance in the amount of \$9,625,000 (the "Loan"), evidenced by a Pledge and Security Agreement and bonds issued pursuant to an Indenture of Trust, which proceeds will be held pursuant to a Depository Agreement among the Authority and Wilmington Trust, N.A., in its capacity as Trustee (the "Trustee") and custodian of the proceeds of the bond issuance and/or other funds of the Authority (the "Depository") (the foregoing, collectively, the "Loan Documents"). The Authority will use the proceeds for elevator, roof, and related modernization, as well as to refund the Authority's portion of the outstanding Series 2005 Capital Fund Revenue Bonds (the "Prior Bonds") issued by the Massachusetts Housing Finance Agency.

Based upon our review of the information and materials included with the Submission, the undersigned, on behalf of HUD, provides the following approvals and determinations.

1. HUD hereby approves the execution by the Authority of the Loan Documents in substantially the form submitted to HUD by the Authority. Any substantive changes to the form of the Loan Documents that affect HUD's rights or obligations shall be submitted to HUD for review and approval by the Director of the Office of Capital Improvements. Except as stated, no further approval of the Loan Documents by HUD shall be required. This approval does not constitute approval for any other agreements, series of bonds or additional debt issued by the Authority.
2. Subject to the availability of appropriations, HUD hereby approves the use of Capital Fund grants (which is defined to include Capital Fund formula funds under Section 9(d) of the United States Housing Act of 1937 (the "Act") and any applicable successor program, and including Demolition Disposition Transitional grants) for payment of debt service as presented in the estimated debt service schedule attached hereto. Following the execution of the Loan Documents, the final debt service schedule (the "Final Debt Service Schedule") shall be submitted to HUD. Unless approved by HUD, the Final Debt Service Schedule shall not exceed the estimated debt service schedule in any year by more than 10%.

3. HUD hereby determines that the Authority constitutes a “public housing agency” within the meaning of section 3(b)(6) of the Act and that the 2017 Bonds constitute a housing program obligation issued by a public housing agency in connection with low-income housing projects as described in section 11(b) of the Act. The provisions of 26 U.S.C. § 149(c)(2)(C)(iii) state that the interest on such obligations shall not be exempt from taxation under section 11(b) unless issued before June 19, 1984, and the provisions of 26 U.S.C. § 149(c)(1) state that any exemption of income on bonds from taxation, unless otherwise excepted, must derive from the Internal Revenue Code. HUD offers no opinion on the tax status of such bonds.
4. Provided that the Authority submits the documents described below in the Post Approval Documentation section of this letter, HUD hereby agrees, subject to the availability of appropriations, to make debt service payments on the Loan as reflected on the Final Debt Service Schedule automatically and directly to the Trustee for the benefit of the Authority. HUD will establish a system of direct payment, by wire transfer or otherwise, to the Trustee.
5. HUD hereby agrees that amounts paid to the Trustee to make debt service payments under the Loan Documents as reflected on the estimated debt service schedule are authorized and under current law are not subject to recapture, and that no regulatory waiver is necessary to disclaim effectively any right, title and interest of the United States in and to such amounts. Nothing in this paragraph shall prevent HUD from recapturing funds from the Authority (as opposed to the Trustee) in accordance with applicable law.
6. HUD further agrees that the Loan is being made by an entity that relies on the full and timely payment of such HUD amounts, subject to the availability of appropriations and pursuant to this letter and the Capital Fund Financing Amendment to the Consolidated Annual Contributions Contract (the “ACC”). HUD further acknowledges and agrees that, notwithstanding the provisions of any HUD General Depository Agreement (form HUD 51999 (6/91))(the “GDA”) that will be entered into between the Authority and Wilmington Trust, N.A. (the “Depository”) permitting HUD as third-party beneficiary thereof to block payment from specified Authority accounts held with the Depository, HUD will not exercise such right if the effect would be to reduce or delay any scheduled debt service or full or partial prepayment on the Loan. HUD further acknowledges and agrees that in the event of a conflict between this Section 5 and the GDA, the obligation of HUD set forth in the previous sentence shall prevail.
7. HUD hereby agrees that interest earned on amounts paid to the Trustee to make debt service payments on the Loan may be applied to pay debt service on the Loan or other Capital Fund eligible work items and need not be returned to HUD. In addition, HUD hereby determines that no regulatory waiver is necessary to permit such use.

8. Nothing in this letter is intended to diminish HUD's authority to administer, monitor, and regulate the public housing program, including HUD's authority to exercise any administrative sanction provided by law; provided, however, that HUD hereby agrees that no subsequent change in the permissible use of Capital Fund Program moneys and no administrative sanction regarding the Authority will affect the eligibility of expenditures for debt service on the Loan or reduce Capital Fund allocations to the Authority, except as required by law, below the levels needed to pay such debt service.
9. HUD hereby waives any additional notice or consent required under the Federal Assignment of Claims Act.
10. The Loan is not an obligation of or guaranteed by HUD or the United States of America. No action taken pursuant to the Loan Documents shall result in any liability to the federal government. Appropriate statements to such effect shall be included in the Loan Agreement. HUD's review of the CFFP Proposal is limited to a review for compliance with CFFP programmatic requirements, and does not extend to the review of underwriting, including assumptions regarding the future receipt of Capital Fund moneys, for which the Authority is solely responsible and which it pledges at its own risk. Given the tight budgetary environment, the Authority should be aware of the potential impact of reductions in appropriations. Any reductions in appropriations could cause the Authority to have less Capital Funds available for modernization or other eligible uses.
11. The pledge of Capital Funds under the Loan Documents is authorized for the purpose of securing the debt service on the Loan.
12. To the extent that allocations of Capital Fund Program moneys to the Authority are reduced or recaptured because Capital Fund amounts previously allocated to the Authority remain unobligated or unexpended in violation of Section 9(j)(1) or (5)(A) of the Act (or any successor(s) thereto), HUD agrees that, (i) unless otherwise prohibited by law, any unobligated Capital Fund Program moneys that are available to the Authority may be used, on a first priority basis, to the extent necessary, to pay principal of and interest on the Loan, and (ii) to the extent permitted or provided by law, the recapture of all funds unobligated or unexpended in violation of said provisions of Section 9(j) shall serve to cure such violation(s).

Except as expressly provided herein, nothing in this approval letter is intended to modify or waive the Capital Fund Program requirements, which are all applicable to the use of the proceeds from the Loan. The Capital Fund Program requirements include, but are not limited to the preparation and submission to HUD of annual Capital Fund plans and budgets and the execution and delivery each year of the Capital Fund Program Amendment to the ACC in the form prescribed by HUD. The Authority must report to the Field Office when its portion of the Series 2005 Capital Fund Revenue Bonds (the "Prior Bonds") have been paid off.

Post Approval Documentation Requirements

Once the Authority and the Trustee have executed the documents relating to the Loan, the Authority must submit to HUD Headquarters a final closing binder containing copies of all executed documents relating to the Loan, together with a certification from the Authority and its counsel attesting that the changes requested by HUD have been made and that no other substantive changes to the submissions (including no substantive changes to the Loan Documents changing HUD's rights or obligations) have been made since they were last approved by HUD. An original and one copy of the final closing binder must be received within 60 days of the date of this letter.

The Authority may proceed to execute three originals of the Capital Fund Financing Amendment. All three copies must be executed by the Authority and then delivered to the HUD Boston Field Office, where the Director of Public Housing will execute all originals on behalf of HUD. The Field Office will keep one original for their use and return the other two originals to the Authority. The Authority should retain one original, the other original with two original signatures should be returned to the Office of Capital Improvements at HUD Headquarters.

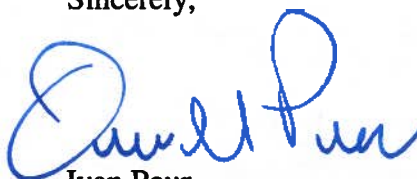
Additionally, within 60 days of the date of this letter, the Authority shall submit to HUD: (1) Cover letter from the Authority transmitting the final debt service schedule and attesting that the payments do not exceed the estimated debt service schedule approved by HUD in any year by more than 10%, (2) the Final Debt Service Schedule, (3) a complete and fully executed Direct Deposit Sign-Up Form (Standard Form 1199A with original signatures from the Authority and the Trustee), (4) a Tab Delimited file in the format required for uploading into LOCCS, and (5) an executed copy (s) of the HUD General Depository Agreement. The items noted in this and the preceding paragraph shall collectively constitute the "Post Approval Documentation." Please refer to the CFFP Post Approval Documentation website for more detailed information: <http://www.hud.gov/offices/pih/programs/ph/capfund/postapp.cfm>.

All submissions should be sent to:

Tom Shelton
U.S. Department of Housing and Urban Development
Office of Capital Improvements
451 7th Street, SW, Room 4146
Washington, DC 20410

Should you have any questions, please contact Christopher Granger, Office of Capital Improvements at (202) 402-3166.

Sincerely,



Ivan Pour
Director, Office of Capital Programs Division

cc: Marylyn O'Sullivan, Public Housing Field Office Director

Enclosures: Exhibit A – Estimated Debt Service Schedule
Exhibit B – Capital Fund Financing Amendment to the Consolidated ACC

Prepared on 1/18/2017

BROCKTON HOUSING AUTHORITY, BROCKTON, MASSACHUSETTS
Capital Fund Securitization Revenue Bonds, Series 2017

| | |
|--------------------------------------|------------|
| Assumptions: | |
| Tax Exempt Bond Par Amount | 9,625,000 |
| Annual Tax-Exempt Bond Interest Rate | 3.000% |
| Rate Type | Fixed Rate |
| Bond Term | 19 Years |
| Bond Payment Per Year | Semiannual |
| Bond Dated Date | 4/1/2017 |
| Bond Delivery Date | 4/1/2017 |
| First Bond Payment Date | 7/1/2017 |
| First Bond Payment from LOCCS Due | 6/28/2017 |

| | | | |
|--|---------------|---|---------------|
| Sources of Funds: | | Uses of Funds: | |
| Par Amount of Bonds | 9,625,000.00 | Retirement of Series 2005A Bonds (1) | 5,463,971.80 |
| Original Issue Premium (Discount) | 0.00 | Deposit to Project Fund (New Money) | 4,228,291.20 |
| Accrued Interest | 0.00 | Construction Contingency | 0.00 |
| Pro-Rata Portion of 2005 Liquidity Acct. | 787,038.00 | Accrued Interest on 2017 Bonds | 0.00 |
| Existing Debt Service Fund | 0.00 | Deposit to 2017 Debt Service Fund | 0.00 |
| Total Sources of Funds | 10,412,038.00 | Debt Service Reserve Fund (50% of MADs) | 334,775.00 |
| | | Total Costs of Issuance (4.0% of Par) | 385,000.00 |
| | | Contingency (Rounding Amount) | 0.00 |
| | | Total Uses of Funds | 10,412,038.00 |

| | |
|------------------------------------|-----------|
| Yield - 2017 Bonds | 3.000320% |
| Weighted Average Maturity (years): | |
| 2017 Bonds | 10.564026 |
| 2005A Refunded Bonds | 5.038929 |

| Date | Principal | Coupon Rate (%) | Interest | Less: Accrued Interest | Less: Capitalized Interest | Equals Annual New Debt Service | Plus: Continuing Disclosure and Other Associated Payments (2) | Equals Annual Gross Requirement | Capital Funds Available | Annual Surplus | Less: Application of 2016 Reserve | Annual Net Requirement | Annual Net Reqmt. As a % of Capital Funds Available | Capital Funds Available as a Multiple of the Annual Net Reqmt. | LOCCS Dates and Amounts | | | |
|----------|--------------|-----------------|--------------|------------------------|----------------------------|--------------------------------|---|---------------------------------|-------------------------|----------------|-----------------------------------|------------------------|---|--|-------------------------|---------------------|------------------------------|------------------------------|
| | | | | | | | | | | | | | | | LOCCS Payment Date | Total LOCCS Payment | Fiscal Year of LOCCS Payment | Interest And Other Payments* |
| 7/1/2017 | | | 72,187.50 | | | | | | | | | | | | 6/28/2017 | 72,187.50 | 2016 | 0.00 |
| 1/1/2018 | 450,000.00 | 3.000 | 144,375.00 | | | 666,562.50 | 5,500.00 | 672,062.50 | 2,046,686.00 | 1,374,623.50 | | 672,062.50 | 32.84% | 3.05 | 12/29/2017 | 599,875.00 | 2016 | 450,000.00 |
| 7/1/2018 | | | 137,625.00 | | | | | | | | | | | | 6/28/2018 | 137,625.00 | 2017 | 0.00 |
| 1/1/2019 | 390,000.00 | 3.000 | 137,625.00 | | | 665,250.00 | 5,500.00 | 670,750.00 | 2,046,686.00 | 1,375,936.00 | | 670,750.00 | 32.77% | 3.05 | 12/29/2018 | 533,125.00 | 2017 | 390,000.00 |
| 7/1/2019 | | | 131,775.00 | | | | | | | | | | | | 6/28/2019 | 131,775.00 | 2018 | 0.00 |
| 1/1/2020 | 405,000.00 | 3.000 | 131,775.00 | | | 668,550.00 | 5,500.00 | 674,050.00 | 2,046,686.00 | 1,372,636.00 | | 674,050.00 | 32.93% | 3.04 | 12/29/2019 | 542,275.00 | 2018 | 405,000.00 |
| 7/1/2020 | | | 125,700.00 | | | | | | | | | | | | 6/28/2020 | 125,700.00 | 2019 | 0.00 |
| 1/1/2021 | 415,000.00 | 3.000 | 125,700.00 | | | 666,400.00 | 5,500.00 | 671,900.00 | 2,046,686.00 | 1,374,786.00 | | 671,900.00 | 32.83% | 3.05 | 12/29/2020 | 546,200.00 | 2019 | 415,000.00 |
| 7/1/2021 | | | 119,475.00 | | | | | | | | | | | | 6/28/2021 | 119,475.00 | 2020 | 0.00 |
| 1/1/2022 | 430,000.00 | 3.000 | 119,475.00 | | | 668,950.00 | 5,500.00 | 674,450.00 | 2,046,686.00 | 1,372,236.00 | | 674,450.00 | 32.95% | 3.03 | 12/29/2021 | 554,975.00 | 2020 | 430,000.00 |
| 7/1/2022 | | | 113,025.00 | | | | | | | | | | | | 6/28/2022 | 113,025.00 | 2021 | 0.00 |
| 1/1/2023 | 440,000.00 | 3.000 | 113,025.00 | | | 666,050.00 | 5,500.00 | 671,550.00 | 2,046,686.00 | 1,375,136.00 | | 671,550.00 | 32.81% | 3.05 | 12/29/2022 | 558,525.00 | 2021 | 440,000.00 |
| 7/1/2023 | | | 106,425.00 | | | | | | | | | | | | 6/28/2023 | 106,425.00 | 2022 | 0.00 |
| 1/1/2024 | 455,000.00 | 3.000 | 106,425.00 | | | 667,850.00 | 5,500.00 | 673,350.00 | 2,046,686.00 | 1,373,336.00 | | 673,350.00 | 32.90% | 3.04 | 12/29/2023 | 566,925.00 | 2022 | 455,000.00 |
| 7/1/2024 | | | 99,600.00 | | | | | | | | | | | | 6/28/2024 | 99,600.00 | 2023 | 0.00 |
| 1/1/2025 | 470,000.00 | 3.000 | 99,600.00 | | | 669,200.00 | 5,500.00 | 674,700.00 | 2,046,686.00 | 1,371,986.00 | | 674,700.00 | 32.97% | 3.03 | 12/29/2024 | 575,100.00 | 2023 | 470,000.00 |
| 7/1/2025 | | | 92,550.00 | | | | | | | | | | | | 6/28/2025 | 92,550.00 | 2024 | 0.00 |
| 1/1/2026 | 480,000.00 | 3.000 | 92,550.00 | | | 665,100.00 | 5,500.00 | 670,600.00 | 2,046,686.00 | 1,376,086.00 | | 670,600.00 | 32.77% | 3.05 | 12/29/2025 | 578,050.00 | 2024 | 480,000.00 |
| 7/1/2026 | | | 85,350.00 | | | | | | | | | | | | 6/28/2026 | 85,350.00 | 2025 | 0.00 |
| 1/1/2027 | 495,000.00 | 3.000 | 85,350.00 | | | 665,700.00 | 5,500.00 | 671,200.00 | 2,046,686.00 | 1,375,486.00 | | 671,200.00 | 32.79% | 3.05 | 12/29/2026 | 585,850.00 | 2025 | 495,000.00 |
| 7/1/2027 | | | 77,925.00 | | | | | | | | | | | | 6/28/2027 | 77,925.00 | 2026 | 0.00 |
| 1/1/2028 | 510,000.00 | 3.000 | 77,925.00 | | | 665,850.00 | 5,500.00 | 671,350.00 | 2,046,686.00 | 1,375,336.00 | | 671,350.00 | 32.80% | 3.05 | 12/29/2027 | 593,425.00 | 2026 | 510,000.00 |
| 7/1/2028 | | | 70,275.00 | | | | | | | | | | | | 6/28/2028 | 70,275.00 | 2027 | 0.00 |
| 1/1/2029 | 525,000.00 | 3.000 | 70,275.00 | | | 665,550.00 | 5,500.00 | 671,050.00 | 2,046,686.00 | 1,375,636.00 | | 671,050.00 | 32.79% | 3.05 | 12/29/2028 | 600,775.00 | 2027 | 525,000.00 |
| 7/1/2029 | | | 62,400.00 | | | | | | | | | | | | 6/28/2029 | 62,400.00 | 2028 | 0.00 |
| 1/1/2030 | 540,000.00 | 3.000 | 62,400.00 | | | 664,800.00 | 5,500.00 | 670,300.00 | 2,046,686.00 | 1,376,386.00 | | 670,300.00 | 32.75% | 3.05 | 12/29/2029 | 607,900.00 | 2028 | 540,000.00 |
| 7/1/2030 | | | 54,300.00 | | | | | | | | | | | | 6/28/2030 | 54,300.00 | 2029 | 0.00 |
| 1/1/2031 | 560,000.00 | 3.000 | 54,300.00 | | | 668,600.00 | 5,500.00 | 674,100.00 | 2,046,686.00 | 1,372,586.00 | | 674,100.00 | 32.94% | 3.04 | 12/29/2030 | 619,800.00 | 2029 | 560,000.00 |
| 7/1/2031 | | | 45,900.00 | | | | | | | | | | | | 6/28/2031 | 45,900.00 | 2030 | 0.00 |
| 1/1/2032 | 575,000.00 | 3.000 | 45,900.00 | | | 666,800.00 | 5,500.00 | 672,300.00 | 2,046,686.00 | 1,374,386.00 | | 672,300.00 | 32.85% | 3.04 | 12/29/2031 | 626,400.00 | 2030 | 575,000.00 |
| 7/1/2032 | | | 37,175.00 | | | | | | | | | | | | 6/28/2032 | 37,175.00 | 2031 | 0.00 |
| 1/1/2033 | 595,000.00 | 3.000 | 37,175.00 | | | 669,550.00 | 5,500.00 | 675,050.00 | 2,046,686.00 | 1,371,636.00 | | 675,050.00 | 32.98% | 3.03 | 12/29/2032 | 637,775.00 | 2031 | 595,000.00 |
| 7/1/2033 | | | 28,350.00 | | | | | | | | | | | | 6/28/2033 | 28,350.00 | 2032 | 0.00 |
| 1/1/2034 | 610,000.00 | 3.000 | 28,350.00 | | | 666,700.00 | 5,500.00 | 672,200.00 | 2,046,686.00 | 1,374,486.00 | | 672,200.00 | 32.84% | 3.04 | 12/29/2033 | 643,850.00 | 2032 | 610,000.00 |
| 7/1/2034 | | | 19,200.00 | | | | | | | | | | | | 6/28/2034 | 19,200.00 | 2033 | 0.00 |
| 1/1/2035 | 630,000.00 | 3.000 | 19,200.00 | | | 668,400.00 | 5,500.00 | 673,900.00 | 2,046,686.00 | 1,372,786.00 | | 673,900.00 | 32.93% | 3.04 | 12/29/2034 | 654,700.00 | 2033 | 630,000.00 |
| 7/1/2035 | | | 9,750.00 | | | | | | | | | | | | 6/28/2035 | 9,750.00 | 2034 | 0.00 |
| 1/1/2036 | 650,000.00 | 3.000 | 9,750.00 | | | 669,500.00 | 5,500.00 | 675,000.00 | 2,046,686.00 | 1,371,686.00 | (334,775.00) | 340,225.00 | 16.62% | 6.02 | 12/29/2035 | 665,250.00 | 2034 | 650,000.00 |
| | 9,625,000.00 | | 3,050,362.50 | 0.00 | 0.00 | 12,675,362.50 | 104,500.00 | 12,779,862.50 | | | (334,775.00) | 12,445,087.50 | | | | 12,779,862.50 | 2035 | 9,625,000.00 |

(1) Retirement amount for the Series 2005A Bonds is calculated as follows:

| | |
|-----------------------------------|--------------|
| Par Amount to be Called on 5/1/17 | 5,384,100.00 |
| Interest From 1-1-17 to 5-1-17 | 79,871.80 |
| Total | 5,463,971.80 |

(2) Amount shown includes \$2,500 annually for continuing disclosure and \$3,000 annually for all other ongoing payments associated with the proposed financing.

*Other payments include \$5,500 annually at the end of each December.

**CAPITAL FUND FINANCING ACC AMENDMENT
TO CONSOLIDATED ANNUAL CONTRIBUTIONS CONTRACT
THE BROCKTON HOUSING AUTHORITY MA024**

Section 1. This Capital Fund Financing Amendment to Consolidated Annual Contributions Contract ("Financing Amendment") covers the Capital Fund Financing Program (the "Program") for the development and modernization of public housing of The Brockton Housing Authority, a housing authority which is a municipal corporation of the State of Massachusetts (the "Authority") to be carried out pursuant to the Capital Fund Program authorized by section 9(d) of the U.S. Housing Act of 1937 and any applicable successor programs (the "Capital Fund Program"), Replacement Housing Factor ("RHF") Plan as approved by HUD, Demolition Disposition Transitional Funding (DDTF) together with the proceeds of the amount financed, whether through loan, bonds, or other source (the "Loan") from Capital One Public Funding LLC (the "Lender") pursuant to the Loan Agreement between the Lender and the Authority and secured as specified in the Promissory Note (together the Loan Documents) pledging the Authority's contractual right under the ACC (defined below) to receive a portion of the Authority's future Capital Fund Program monies (which is further defined to include both Capital Fund Program formula fund grant monies ("Formula Funds"), Demolition Disposition Transitional Funding ("DDTF") and Replacement Housing Factor grant monies ("RHF Funds") under Section 9(d) of the Act) for debt service and subject to the availability of appropriations. Capital Funds, including DDTF and RHF Funds, are subject to the availability of appropriations.

Section 2. This Capital Fund Financing ACC Amendment is an amendment ___ to Consolidated Annual Contributions Contract Form HUD-53012A and Form HUD-53012B Number _____ dated _____ (together with any amendments thereto and modifications thereof, the "ACC").

Section 3. The ACC is amended to evidence the approval by HUD of the Loan identified in Section 1, and to permit the first priority pledge and payment of moneys received by the Authority under the Capital Fund Program (or any successor thereto) to such Loan. This Financing Amendment is part of the ACC.

Section 4. The following provisions are applicable to the Loan and the Program, notwithstanding any provision of the ACC to the contrary:

(A) References in the ACC to "notes" and "bonds" shall not mean or refer to the Loan. Amounts payable to the Authority by HUD pursuant to the Capital Fund Program (and any successor thereto) and pledged by the Authority to the Lender for the payment of debt service on the Loan shall be used exclusively for payment of debt service on the Loan in accordance with the debt service schedule approved by HUD and described in Section 2 of the HUD approval letter ("Loan Debt Service"), and shall not be available for any other purpose, including but not limited to, (a) the repayment of any bonds to Authority by HUD pursuant to Section 4 of the United

States Housing Act of 1937 (the "Act"), or (b) the repayment of any notes or bonds (other than the Loan) as described in the ACC.

(B) The Loan does not constitute a debt or liability of HUD or the United States, the full faith and credit of the United States is not pledged to the payment of Loan Debt Service, and the payment of Loan Debt Service is not guaranteed by HUD or the United States.

(C) Nothing in this Financing Amendment is intended to diminish HUD's authority to administer, monitor, and regulate the public housing program, including HUD's authority to exercise any administrative sanction or remedy provided by law or contract; provided, however, that except as required by law, HUD will not assert any claim or right under the ACC, including the exercise of administrative sanctions and remedies, if and to the extent that the effect of such claim or right would be to reduce the payment of Capital Fund Program moneys to the Authority below the level necessary to pay Loan Debt Service or delay the time for payment of such moneys such that required amounts would not be available to pay Loan Debt Service when due. In the event that HUD shall determine to impose administrative sanctions upon the Authority which would have the effect of reducing the payment of Capital Fund Program moneys to the Authority in any year by more than 20%, HUD shall have the right (in addition to all other rights and remedies available to HUD), while such sanctions remain in effect, to require that unexpended proceeds of the Loan (except for amounts already obligated or encumbered for the payment of project costs or required for a debt service reserve or other structural purposes of such issue(s)) to be applied, at the earliest permissible date, to prepay the Loan.

In the event that the Authority has not obligated at least 90% of the proceeds of the Loan twenty-three months after the date of the HUD approval letter, unless otherwise approved by HUD, unobligated proceeds of the Loan shall be applied, to prepay the Loan ("Mandatory Obligation Prepayment") such that 90% of the balance of the Loan remaining after the Mandatory Obligation Prepayment shall be obligated no later than 24 months after the execution of the Loan Documents ("Obligation End Date").

In the event that the Authority has not expended 100% of the proceeds of the Loan forty-seven months after the date of the HUD approval letter, unless otherwise approved by HUD, unexpended proceeds of the Loan shall be applied to prepay the Loan ("Mandatory Expenditure Prepayment") such that 100% of the balance of the loan remaining after the Mandatory Expenditure Prepayment has been expended no later than 48 months after the execution of the Loan Documents ("Expenditure End Date").

Within seven (7) days of the Obligation End Date, and then again within seven days of the Expenditure End Date, the Authority shall submit a Performance and Evaluation report to the appropriate HUD Field Office, documenting the obligation and expenditure of the Loan proceeds, along with a Certification signed by the Executive Director of the Authority, attesting to its accuracy.

(D) Payment of Loan Debt Service is a permissible use of Capital Fund Program moneys. Once the making of the Loan and the execution of the Loan Agreement have been approved by HUD, no further approval shall be required for payment of Loan Debt Service with Capital Fund Program moneys available to the Authority.

(E) The adoption of this Financing Amendment does not supersede or preclude the adoption of annual Capital Fund Plans (or a successor annual plan, if applicable) and annual Capital Fund Program Amendments to the ACC; provided, however, that if in any fiscal year, (i) the applicable annual Capital Fund Plan (or a successor annual plan, if applicable) shall not have been approved by HUD or (ii) the annual Capital Fund Program Amendment to the ACC shall not have been executed, in either case, by the latter of (i) October 1 of the first year following the end of the applicable Federal fiscal year with respect to which such funds were appropriated or (ii) 60 days prior to the first scheduled Loan Debt Service payment date following such October 1, HUD agrees, subject to the availability of appropriations, to approve immediately upon receipt from the Authority (subject to any legal requirements or constraints applicable at the time), an annual Capital Fund Plan and/or an annual Capital Fund Program Amendment to the extent and in an amount sufficient to make the applicable Loan Debt Service payment.

(F) Subject to the availability of appropriations and approval of the annual Capital Fund Plan (or a successor annual plan, if applicable) and Capital Fund Program Amendment, and further provided that the Authority submits the Post Approval Documentation described in the HUD approval letter, HUD will make Capital Fund Program moneys available to the Lender pursuant to a depository agreement between the Lender and the Authority governing the administration and payment authority authorized, in accordance with the approved debt service schedule, to the extent required for payment of Loan Debt Service. Such direct payment shall be implemented by whatever means are available to HUD at the applicable time, but in any event, the Lender shall be able to receive, based upon the direction of the Authority pursuant to and as embodied in this Financing Amendment, the necessary amounts without the need for payment to flow through the Authority.

(G) Amounts requisitioned by or payable to the Lender for Loan Debt Service shall not be paid earlier than three (3) business days prior to the date upon which the Loan Debt Service is due. HUD agrees that, provided that the Authority submits the Post Approval Documentation described in the HUD approval letter, upon determining the amount of Capital Fund Program moneys available to the Authority in any fiscal year, it will not permit disbursements of such moneys for purposes other than Loan Debt Service to an extent that would reduce the amounts available for such fiscal year below the amounts scheduled for Loan Debt Service in such fiscal year.

(H) The Authority certifies that the number of ACC units anticipated to be eligible for Capital Fund Allocations in each year through the maturity date of the financing will not be less than 1,626 ("Stabilized Base Unit Count") excepting additions and subtractions from the Authority's public housing portfolio prior to reaching the Stabilized Base Unit Count, all in amounts as shown on the attached portfolio schedule. The Authority covenants with HUD not to reduce the number of

ACC units by more than 5% (cumulatively) below the Stabilized Base Unit Count (except for changes in the unit count prior to reaching the Stabilized Base Unit Count, but only in amounts as shown on the attached portfolio schedule) without the prior prepayment, redemption, defeasance or refunding of the Loans to the extent necessary to maintain the same debt coverage ratio in the Loan year immediately following such reduction in ACC Units (based on the then current year's Capital Fund allocation but giving effect to the reduction in ACC Units in a manner acceptable to HUD) as existed prior to the reduction; provided, however, that in no event shall the Authority be required to maintain a debt coverage ratio in excess of 3.0, and provided, further that if the reduction in units is required by law or public housing requirements, the Authority shall not be required to redeem or defease the Loan prior to such reduction, but instead shall do so (to the extent necessary to maintain the same debt service coverage ratio as was in effect immediately preceding such reduction in ACC Units) as soon as possible after becoming aware of the requirement of law or public housing requirements but only to the extent that Capital Funds are not otherwise needed by the Authority to address the health and safety issues or other requirements of law in the Authority's public housing portfolio, all as determined by HUD. The Loan debt coverage ratio shall be the ratio by dividing (a) the lower of (i) the amount of Public Housing Capital Funds (as defined in the Loan Documents) granted to the Authority for the fiscal year preceding the date of such determination, and (ii) the average of such amounts granted for the three most recent fiscal years preceding the date of such determination, by (b) the maximum Fixed Capital Fund Payments (as defined in the Loan Documents) during any fiscal year.

(I) The proceeds of the Loan may be expended only for purposes for which public housing monies may be expended. The Authority shall provide for the application of the proceeds of the Loan (in such detail as shall be reasonably required by HUD) in its annual and 5-year Capital Fund Plan.

Section 5.

(A) By executing this Financing Amendment, the Authority represents warrants and agrees that it will apply all proceeds of the Loan (i) as approved by HUD in connection with HUD's consent to enter into the Loan Agreement, and (ii) to expenditures which are permissible under the laws and regulations governing the Capital Fund Program (or any applicable successor). Additionally, the Authority represents warrants and agrees that it has insurance coverage in conformance with Applicable Public Housing Requirements (defined below) including the Consolidated ACC.

(B) Any financing documents entered into by the Authority shall contain language requiring any creditor of the Authority receiving payments from Capital Funds to return any overpayment to HUD within three business days after application of that payment to any outstanding debt, in the event that HUD incorrectly pays all or any Capital Funds in excess of what is due and owing to a creditor under any financing documents.

(C) By executing this Financing Amendment, the Authority certifies to HUD and, as applicable, agrees that:

(1) it will immediately notify HUD of (a) any material change in any representations, statements, certifications or other matters contained in the Authority's Proposal, this Financing Amendment and any Riders thereto, (b) any default of which it has notice under any agreement submitted to HUD as part of the proposal materials hereunder, and (c) any changes to debt service.

(2) it will ensure that the CFFP transaction, including but not limited to any financing documents entered into by or on behalf of the Authority, including requirements for admission to, continued occupancy of, management, and modernization or development of public housing using funds from this transaction is in accordance with all requirements applicable to public housing, including the Act, HUD regulations thereunder (and, to the extent applicable, any HUD-approved waivers of regulatory requirements), the ACC, this Financing Amendment, the HUD-approved CFFP proposal, the Authority's standard public housing admissions and occupancy policies adopted in accordance with Federal law and described in the Authority's approved Public Housing Agency Annual Plan if required, or any approved amendment to the Plan (the "Plan") or any contrary provisions in the MTW Agreement, as those requirements may be amended from time to time. The requirements set forth in subparagraph (2) of this Section 5(C) are hereafter to be collectively referred to as the "Applicable Public Housing Requirements."

(D) Excepting any of the Authority's assets arising under any program not administered by HUD under the United States Housing Act of 1937, or as otherwise specifically approved in writing by HUD and described in Section 5(D)(1) below, all legal documents that are part of this transaction shall not and do not contain any guarantees, indemnifications, rights of set-off, or other pledges involving the assets of any public housing Project (as the term "Project" is defined in the Annual Contributions Contract) or any Housing Choice Voucher (HCV) related assets of the Authority.

(1) Lender or any third party may have recourse to the following without further HUD approval: All Capital Funds (including RHF and DDTF) of the Authority.

(2) Other than as listed in Section 5 (D)(1) above, the Authority acknowledges that it will not and has not provided any party with a legal right of recourse against:

- a) any of its public housing Projects;
- b) any operating receipts (as the term "operating receipts" is defined in the ACC);

- c) any of its HCV receipts;
- d) any of its Capital Funds; or
- e) any of its public housing operating reserve reflected in the Authority's annual operating budget and required under the ACC.

(3) Should any assets of the Authority be identified at later date as meeting the criteria as set forth in this subsection (D), any guarantees, indemnifications, rights of set off, or other pledges involving those assets will be deemed null, void and unenforceable.

(4) Notwithstanding anything to the contrary herein, Sections 10 and 11 of the ACC apply, and should any financing proceeds be used for non-public housing purposes, repayment of the financing proceeds used for non-public housing purposes is required to be made with non-public housing funds. The failure of the authority to comply with the ACC may constitute a default and HUD reserves the right to enforce all remedies available to it under the ACC and any amendments thereto.

(5) Any financing documents entered into by the Authority, as debtor, must contain language specifically allowing for defeasance without penalty at the discretion of the Authority, without the need for any further approval from any creditor, and regardless of any other language to the contrary in the financing documents, and shall provide for the termination of the financing agreement, loan agreement, security agreement, note or similar agreement and the release of any collateral and removal of any covenants required for this transaction without penalty to the Authority once such defeasance is completed. Penalties do not include premiums a creditor may charge for the carrying costs associated with allowing a defeasance.

(E) The Authority warrants that it will include, or cause to be included:

(1) In all its agreements or contracts with the participating parties to the transaction, and in all contracts with any party involving the use of Capital Funds, a provision that nothing contained in the ACC or this Financing Amendment and any Riders thereto, nor in any agreement or contract between the parties, nor any act of HUD, the Authority, or any of the parties, will be deemed or construed to create any relationship of third-party beneficiary, principal and agent, limited or general partnership, joint venture, or any association or relationship involving HUD, and that the obligations created pursuant to this transaction do not constitute a debt or liability of HUD or the United States, the full faith and credit of the United States is not pledged to the payment of the

obligations, payment of the obligations is not guaranteed by HUD or the United States, and no action taken by these parties or in these documents shall result in any liability to the federal government.

(2) In all legal documents that are part of this transaction, there shall be no cross-default provisions between this financing transaction and any other financing transaction to which the Authority is a party, except for debt of the Authority to the Lender.

Section 6.

(A) Counsel must opine to the following for each requirement listed in Section 6 of this Financing Amendment:

(1) An examination of the authority of all parties to the documents and all persons executing the documents on behalf of the parties has been made and that the parties and said persons were authorized to enter into and execute the documents; and

(2) Each document constitutes a valid and legally enforceable agreement or contract under the laws of the Authority's State of formation and the commitments and/or agreements evidenced thereby can be carried out in accordance with their terms under State and local law, and conform to the provisions of the Proposal approved by HUD and the requirements of this Financing Amendment, and that there is nothing in such document that conflicts with, or is inconsistent with, the Proposal and this Financing Amendment.

(B) Counsel may rely upon the certification of other persons, or the written statements or opinions of other counsel, provided that a copy of each such certification, statement, or opinion must be attached to the opinion of that counsel.

(C) If counsel predicates an opinion upon "information and belief," then in all such cases the counsel's opinion must contain, or have attached thereto, a statement or description of all of the information upon which the belief of counsel is predicated.

In consideration of the foregoing covenants, the parties do hereby set forth their seals:

BROCKTON HOUSING AUTHORITY

By _____
Thomas G. Thibeault
Executive Director

UNITED STATES OF AMERICA
Secretary of Housing and Urban Development

By _____
Marilyn O'Sullivan
Public Housing Director

Date: _____

APPENDIX C

**ACC FINANCING AGREEMENT
CAPITAL FUND FINANCING ACC AMENDMENT
TO CONSOLIDATED ANNUAL CONTRIBUTIONS CONTRACT**

**CAPITAL FUND FINANCING ACC AMENDMENT
TO CONSOLIDATED ANNUAL CONTRIBUTIONS CONTRACT
THE BROCKTON HOUSING AUTHORITY MA024**

Section 1. This Capital Fund Financing Amendment to Consolidated Annual Contributions Contract ("Financing Amendment") covers the Capital Fund Financing Program (the "Program") for the development and modernization of public housing of The Brockton Housing Authority, a housing authority which is a municipal corporation of the State of Massachusetts (the "Authority") to be carried out pursuant to the Capital Fund Program authorized by section 9(d) of the U.S. Housing Act of 1937 and any applicable successor programs (the "Capital Fund Program"), Replacement Housing Factor ("RHF") Plan as approved by HUD, Demolition Disposition Transitional Funding (DDTF) together with the proceeds of the amount financed, whether through loan, bonds, or other source (the "Loan") from Capital One Public Funding LLC (the "Lender") pursuant to the Loan Agreement between the Lender and the Authority and secured as specified in the Promissory Note (together the Loan Documents) pledging the Authority's contractual right under the ACC (defined below) to receive a portion of the Authority's future Capital Fund Program monies (which is further defined to include both Capital Fund Program formula fund grant monies ("Formula Funds"), Demolition Disposition Transitional Funding ("DDTF") and Replacement Housing Factor grant monies ("RHF Funds") under Section 9(d) of the Act) for debt service and subject to the availability of appropriations. Capital Funds, including DDTF and RHF Funds, are subject to the availability of appropriations.

Section 2. This Capital Fund Financing ACC Amendment is an amendment 64 to Consolidated Annual Contributions Contract Form HUD-53012A and Form HUD-53012B Number NY 421 dated 10/23/95 (together with any amendments thereto and modifications thereof, the "ACC").

Section 3. The ACC is amended to evidence the approval by HUD of the Loan identified in Section 1, and to permit the first priority pledge and payment of moneys received by the Authority under the Capital Fund Program (or any successor thereto) to such Loan. This Financing Amendment is part of the ACC.

Section 4. The following provisions are applicable to the Loan and the Program, notwithstanding any provision of the ACC to the contrary:

(A) References in the ACC to "notes" and "bonds" shall not mean or refer to the Loan. Amounts payable to the Authority by HUD pursuant to the Capital Fund Program (and any successor thereto) and pledged by the Authority to the Lender for the payment of debt service on the Loan shall be used exclusively for payment of debt service on the Loan in accordance with the debt service schedule approved by HUD and described in Section 2 of the HUD approval letter ("Loan Debt Service"), and shall not be available for any other purpose, including but not limited to, (a) the repayment of any bonds to Authority by HUD pursuant to Section 4 of the United

States Housing Act of 1937 (the "Act"), or (b) the repayment of any notes or bonds (other than the Loan) as described in the ACC.

(B) The Loan does not constitute a debt or liability of HUD or the United States, the full faith and credit of the United States is not pledged to the payment of Loan Debt Service, and the payment of Loan Debt Service is not guaranteed by HUD or the United States.

(C) Nothing in this Financing Amendment is intended to diminish HUD's authority to administer, monitor, and regulate the public housing program, including HUD's authority to exercise any administrative sanction or remedy provided by law or contract; provided, however, that except as required by law, HUD will not assert any claim or right under the ACC, including the exercise of administrative sanctions and remedies, if and to the extent that the effect of such claim or right would be to reduce the payment of Capital Fund Program moneys to the Authority below the level necessary to pay Loan Debt Service or delay the time for payment of such moneys such that required amounts would not be available to pay Loan Debt Service when due. In the event that HUD shall determine to impose administrative sanctions upon the Authority which would have the effect of reducing the payment of Capital Fund Program moneys to the Authority in any year by more than 20%, HUD shall have the right (in addition to all other rights and remedies available to HUD), while such sanctions remain in effect, to require that unexpended proceeds of the Loan (except for amounts already obligated or encumbered for the payment of project costs or required for a debt service reserve or other structural purposes of such issue(s)) to be applied, at the earliest permissible date, to prepay the Loan.

In the event that the Authority has not obligated at least 90% of the proceeds of the Loan twenty-three months after the date of the HUD approval letter, unless otherwise approved by HUD, unobligated proceeds of the Loan shall be applied, to prepay the Loan ("Mandatory Obligation Prepayment") such that 90% of the balance of the Loan remaining after the Mandatory Obligation Prepayment shall be obligated no later than 24 months after the execution of the Loan Documents ("Obligation End Date").

In the event that the Authority has not expended 100% of the proceeds of the Loan forty-seven months after the date of the HUD approval letter, unless otherwise approved by HUD, unexpended proceeds of the Loan shall be applied to prepay the Loan ("Mandatory Expenditure Prepayment") such that 100% of the balance of the loan remaining after the Mandatory Expenditure Prepayment has been expended no later than 48 months after the execution of the Loan Documents ("Expenditure End Date").

Within seven (7) days of the Obligation End Date, and then again within seven days of the Expenditure End Date, the Authority shall submit a Performance and Evaluation report to the appropriate HUD Field Office, documenting the obligation and expenditure of the Loan proceeds, along with a Certification signed by the Executive Director of the Authority, attesting to its accuracy.

(D) Payment of Loan Debt Service is a permissible use of Capital Fund Program moneys. Once the making of the Loan and the execution of the Loan Agreement have been approved by HUD, no further approval shall be required for payment of Loan Debt Service with Capital Fund Program moneys available to the Authority.

(E) The adoption of this Financing Amendment does not supersede or preclude the adoption of annual Capital Fund Plans (or a successor annual plan, if applicable) and annual Capital Fund Program Amendments to the ACC; provided, however, that if in any fiscal year, (i) the applicable annual Capital Fund Plan (or a successor annual plan, if applicable) shall not have been approved by HUD or (ii) the annual Capital Fund Program Amendment to the ACC shall not have been executed, in either case, by the latter of (i) October 1 of the first year following the end of the applicable Federal fiscal year with respect to which such funds were appropriated or (ii) 60 days prior to the first scheduled Loan Debt Service payment date following such October 1, HUD agrees, subject to the availability of appropriations, to approve immediately upon receipt from the Authority (subject to any legal requirements or constraints applicable at the time), an annual Capital Fund Plan and/or an annual Capital Fund Program Amendment to the extent and in an amount sufficient to make the applicable Loan Debt Service payment.

(F) Subject to the availability of appropriations and approval of the annual Capital Fund Plan (or a successor annual plan, if applicable) and Capital Fund Program Amendment, and further provided that the Authority submits the Post Approval Documentation described in the HUD approval letter, HUD will make Capital Fund Program moneys available to the Lender pursuant to a depository agreement between the Lender and the Authority governing the administration and payment authority authorized, in accordance with the approved debt service schedule, to the extent required for payment of Loan Debt Service. Such direct payment shall be implemented by whatever means are available to HUD at the applicable time, but in any event, the Lender shall be able to receive, based upon the direction of the Authority pursuant to and as embodied in this Financing Amendment, the necessary amounts without the need for payment to flow through the Authority.

(G) Amounts requisitioned by or payable to the Lender for Loan Debt Service shall not be paid earlier than three (3) business days prior to the date upon which the Loan Debt Service is due. HUD agrees that, provided that the Authority submits the Post Approval Documentation described in the HUD approval letter, upon determining the amount of Capital Fund Program moneys available to the Authority in any fiscal year, it will not permit disbursements of such moneys for purposes other than Loan Debt Service to an extent that would reduce the amounts available for such fiscal year below the amounts scheduled for Loan Debt Service in such fiscal year.

(H) The Authority certifies that the number of ACC units anticipated to be eligible for Capital Fund Allocations in each year through the maturity date of the financing will not be less than 1,626 ("Stabilized Base Unit Count") excepting additions and subtractions from the Authority's public housing portfolio prior to reaching the Stabilized Base Unit Count, all in amounts as shown on the attached portfolio schedule. The Authority covenants with HUD not to reduce the number of

ACC units by more than 5% (cumulatively) below the Stabilized Base Unit Count (except for changes in the unit count prior to reaching the Stabilized Base Unit Count, but only in amounts as shown on the attached portfolio schedule) without the prior prepayment, redemption, defeasance or refunding of the Loans to the extent necessary to maintain the same debt coverage ratio in the Loan year immediately following such reduction in ACC Units (based on the then current year's Capital Fund allocation but giving effect to the reduction in ACC Units in a manner acceptable to HUD) as existed prior to the reduction; provided, however, that in no event shall the Authority be required to maintain a debt coverage ratio in excess of 3.0, and provided, further that if the reduction in units is required by law or public housing requirements, the Authority shall not be required to redeem or defease the Loan prior to such reduction, but instead shall do so (to the extent necessary to maintain the same debt service coverage ratio as was in effect immediately preceding such reduction in ACC Units) as soon as possible after becoming aware of the requirement of law or public housing requirements but only to the extent that Capital Funds are not otherwise needed by the Authority to address the health and safety issues or other requirements of law in the Authority's public housing portfolio, all as determined by HUD. The Loan debt coverage ratio shall be the ratio by dividing (a) the lower of (i) the amount of Public Housing Capital Funds (as defined in the Loan Documents) granted to the Authority for the fiscal year preceding the date of such determination, and (ii) the average of such amounts granted for the three most recent fiscal years preceding the date of such determination, by (b) the maximum Fixed Capital Fund Payments (as defined in the Loan Documents) during any fiscal year.

(I) The proceeds of the Loan may be expended only for purposes for which public housing monies may be expended. The Authority shall provide for the application of the proceeds of the Loan (in such detail as shall be reasonably required by HUD) in its annual and 5-year Capital Fund Plan.

Section 5.

(A) By executing this Financing Amendment, the Authority represents warrants and agrees that it will apply all proceeds of the Loan (i) as approved by HUD in connection with HUD's consent to enter into the Loan Agreement, and (ii) to expenditures which are permissible under the laws and regulations governing the Capital Fund Program (or any applicable successor). Additionally, the Authority represents warrants and agrees that it has insurance coverage in conformance with Applicable Public Housing Requirements (defined below) including the Consolidated ACC.

(B) Any financing documents entered into by the Authority shall contain language requiring any creditor of the Authority receiving payments from Capital Funds to return any overpayment to HUD within three business days after application of that payment to any outstanding debt, in the event that HUD incorrectly pays all or any Capital Funds in excess of what is due and owing to a creditor under any financing documents.

(C) By executing this Financing Amendment, the Authority certifies to HUD and, as applicable, agrees that:

(1) it will immediately notify HUD of (a) any material change in any representations, statements, certifications or other matters contained in the Authority's Proposal, this Financing Amendment and any Riders thereto, (b) any default of which it has notice under any agreement submitted to HUD as part of the proposal materials hereunder, and (c) any changes to debt service.

(2) it will ensure that the CFFP transaction, including but not limited to any financing documents entered into by or on behalf of the Authority, including requirements for admission to, continued occupancy of, management, and modernization or development of public housing using funds from this transaction is in accordance with all requirements applicable to public housing, including the Act, HUD regulations thereunder (and, to the extent applicable, any HUD-approved waivers of regulatory requirements), the ACC, this Financing Amendment, the HUD-approved CFFP proposal, the Authority's standard public housing admissions and occupancy policies adopted in accordance with Federal law and described in the Authority's approved Public Housing Agency Annual Plan if required, or any approved amendment to the Plan (the "Plan") or any contrary provisions in the MTW Agreement, as those requirements may be amended from time to time. The requirements set forth in subparagraph (2) of this Section 5(C) are hereafter to be collectively referred to as the "Applicable Public Housing Requirements."

(D) Excepting any of the Authority's assets arising under any program not administered by HUD under the United States Housing Act of 1937, or as otherwise specifically approved in writing by HUD and described in Section 5(D)(1) below, all legal documents that are part of this transaction shall not and do not contain any guarantees, indemnifications, rights of set-off, or other pledges involving the assets of any public housing Project (as the term "Project" is defined in the Annual Contributions Contract) or any Housing Choice Voucher (HCV) related assets of the Authority.

(1) Lender or any third party may have recourse to the following without further HUD approval: All Capital Funds (including RHF and DDTF) of the Authority.

(2) Other than as listed in Section 5 (D)(1) above, the Authority acknowledges that it will not and has not provided any party with a legal right of recourse against:

- a) any of its public housing Projects;**
- b) any operating receipts (as the term "operating receipts" is defined in the ACC);**

- c) any of its HCV receipts;
- d) any of its Capital Funds; or
- e) any of its public housing operating reserve reflected in the Authority's annual operating budget and required under the ACC.

(3) Should any assets of the Authority be identified at later date as meeting the criteria as set forth in this subsection (D), any guarantees, indemnifications, rights of set off, or other pledges involving those assets will be deemed null, void and unenforceable.

(4) Notwithstanding anything to the contrary herein, Sections 10 and 11 of the ACC apply, and should any financing proceeds be used for non-public housing purposes, repayment of the financing proceeds used for non-public housing purposes is required to be made with non-public housing funds. The failure of the authority to comply with the ACC may constitute a default and HUD reserves the right to enforce all remedies available to it under the ACC and any amendments thereto.

(5) Any financing documents entered into by the Authority, as debtor, must contain language specifically allowing for defeasance without penalty at the discretion of the Authority, without the need for any further approval from any creditor, and regardless of any other language to the contrary in the financing documents, and shall provide for the termination of the financing agreement, loan agreement, security agreement, note or similar agreement and the release of any collateral and removal of any covenants required for this transaction without penalty to the Authority once such defeasance is completed. Penalties do not include premiums a creditor may charge for the carrying costs associated with allowing a defeasance.

(E) The Authority warrants that it will include, or cause to be included:

(1) In all its agreements or contracts with the participating parties to the transaction, and in all contracts with any party involving the use of Capital Funds, a provision that nothing contained in the ACC or this Financing Amendment and any Riders thereto, nor in any agreement or contract between the parties, nor any act of HUD, the Authority, or any of the parties, will be deemed or construed to create any relationship of third-party beneficiary, principal and agent, limited or general partnership, joint venture, or any association or relationship involving HUD, and that the obligations created pursuant to this transaction do not constitute a debt or liability of HUD or the United States, the full faith and credit of the United States is not pledged to the payment of the

obligations, payment of the obligations is not guaranteed by HUD or the United States, and no action taken by these parties or in these documents shall result in any liability to the federal government.

(2) In all legal documents that are part of this transaction, there shall be no cross-default provisions between this financing transaction and any other financing transaction to which the Authority is a party, except for debt of the Authority to the Lender.

Section 6.

(A) Counsel must opine to the following for each requirement listed in Section 6 of this Financing Amendment:

(1) An examination of the authority of all parties to the documents and all persons executing the documents on behalf of the parties has been made and that the parties and said persons were authorized to enter into and execute the documents; and

(2) Each document constitutes a valid and legally enforceable agreement or contract under the laws of the Authority's State of formation and the commitments and/or agreements evidenced thereby can be carried out in accordance with their terms under State and local law, and conform to the provisions of the Proposal approved by HUD and the requirements of this Financing Amendment, and that there is nothing in such document that conflicts with, or is inconsistent with, the Proposal and this Financing Amendment.

(B) Counsel may rely upon the certification of other persons, or the written statements or opinions of other counsel, provided that a copy of each such certification, statement, or opinion must be attached to the opinion of that counsel.

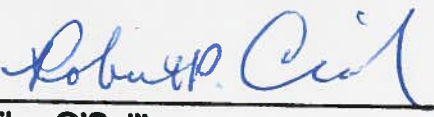
(C) If counsel predicates an opinion upon "information and belief," then in all such cases the counsel's opinion must contain, or have attached thereto, a statement or description of all of the information upon which the belief of counsel is predicated.

In consideration of the foregoing covenants, the parties do hereby set forth their seals:

BROCKTON HOUSING AUTHORITY

By 
Thomas G. Thibeault
Executive Director

UNITED STATES OF AMERICA
Secretary of Housing and Urban Development

for By 
Marilyn O'Sullivan
Public Housing Director

Date: JUN - 9 2017

APPENDIX D

FORM OF THE OPINION OF BOND COUNSEL

Upon the delivery of the Series 2017 Bonds, Harris Beach PLLC, Bond Counsel to the Authority, proposes to deliver its legal opinion in substantially the following form:

[_____, 2017]

Brockton Housing Authority
45 Goddard Road
Brockton, Massachusetts 02301

**Re: \$[_____] Brockton Housing Authority Capital Fund Housing
Revenue Bonds, Series 2017**

Ladies and Gentlemen:

We have examined the record of proceedings in connection with the issuance by the Brockton Housing Authority (the "Authority") of its \$[_____] Capital Fund Housing Revenue Bonds, Series 2017 (the "Series 2017 Bonds"). The Series 2017 Bonds are authorized to be issued pursuant to (i) Chapter 121B of the laws of the Commonwealth of Massachusetts, as amended, as the same may be further amended from time to time (the "Act"), (ii) a bond resolution adopted by the Board of Commissioners of the Authority on March 22, 2017 (the "Bond Resolution") and (iii) a certain Indenture of Trust, dated as of June 1, 2017 (the "Indenture"), by and between the Authority and Wilmington Trust, National Association, as trustee (the "Trustee"). Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Indenture.

As security for the Series 2017 Bonds, the Authority will pledge, and grant a security interest in, a portion of the Capital Funds equal to the Annual Debt Service on the Series 2017 Bonds to the Trustee pursuant to a certain Pledge and Security Agreement, dated as of June 1, 2017, by and between the Authority and the Trustee (the "Pledge Agreement").

The Series 2017 Bonds are being issued to finance a certain project (collectively, the "Project") consisting of: (A) prepayment of the \$5,335,000 outstanding principal amount loan to the Authority by the Massachusetts Housing Finance Agency ("MassHousing"), together with interest thereon and fees and expenses relating to such prepayment, which loan was funded by a proportionate amount of MassHousing's Capital Fund Securitization Revenue Bonds, 2005 Series A (the "Series 2005 A Bonds"); (B) financing of the costs of modernization, renovation and revitalization of certain of the Authority's housing projects, including, without limitation, the renovation, replacement and equipping of certain elevators and fire safety systems at Belair Tower and site improvements and exterior renovations to various building facilities at Campello High Rise and Hillside Village, as well as flooring replacement at numerous sites (collectively, the "Renovation Improvements"); (C) funding of the Debt Service Reserve Fund in an amount

equal to the Debt Service Reserve Fund Requirement and (D) paying certain costs of issuance of the Series 2017 Bonds.

The Series 2017 Bonds are dated their date of delivery and bear interest from such date, payable January 1 and July 1 of each year, commencing with January 1, 2018. The Series 2017 Bonds will mature on the dates and in the principal amounts and bear interest at their respective rates per annum set forth in the Indenture. The Series 2017 Bonds are subject to redemption prior to maturity as set forth in the Indenture.

The Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements that must be met at the time of, and subsequent to, the issuance and delivery of the Series 2017 Bonds in order that interest on the Series 2017 Bonds be and remain excluded from gross income for federal income tax purposes, pursuant to Section 103 of the Code. These continuing requirements include certain restrictions and prohibitions on the use of the proceeds of the Series 2017 Bonds, restrictions on the investment of such bond proceeds and other amounts and the rebate to the United States of certain earnings in respect of such investments. Failure to comply with such continuing requirements may cause the interest on the Series 2017 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Series 2017 Bonds, irrespective of the date on which such noncompliance occurs. In the Indenture and in the Tax Regulatory Certificate, delivered on the date hereof (the "Tax Regulatory Certificate"), the Authority covenants to comply with certain procedures, and makes certain representations and certifications, designed to assure compliance with the requirements of the Code.

As Bond Counsel, we have examined originals or copies, certified or otherwise identified to our satisfaction, of such instruments, certificates and documents as we have deemed necessary or appropriate for the purposes of rendering the opinions set forth herein. In such examination, we have assumed the genuineness of all signatures, the authenticity and due execution of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion, we have relied upon, and assumed the accuracy and truthfulness of, the aforesaid instruments, certificates and documents, without having conducted any independent investigation.

In rendering the opinions set forth below, we have relied upon the opinion of Sims & Sims, LLP, counsel to the Authority, of even date herewith, as to the matters set forth in such opinion without making any independent investigation of the factual basis therefor or the legal conclusions set forth therein.

Based upon and in reliance upon the foregoing, it is our opinion that:

(a) The Authority has been duly organized and is validly existing as a housing authority under the laws of the Commonwealth of Massachusetts (the "Commonwealth").

(b) The Authority is duly authorized and entitled by law to issue, execute, sell and deliver the Series 2017 Bonds.

(c) The Series 2017 Bonds have been duly authorized, executed and delivered, have been duly issued for value by the Authority and are legal, valid and binding special limited

obligations of the Authority payable in accordance with their terms and are entitled to the benefit and security of the Indenture in accordance with its terms.

(d) The Series 2017 Bonds do not constitute a debt of the Commonwealth or the City of Brockton, Massachusetts (the "City"), and neither the Commonwealth nor the City, shall be liable thereon.

(e) Under statutes, regulations, administrative rulings and court decisions existing as of the date hereof, interest on the Series 2017 Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code and is not an "item of tax preference" for purposes of computing the federal alternative minimum tax imposed on individuals and corporations. Interest on the Series 2017 Bonds is, however, included in the computation of "adjusted current earnings," a portion of which is taken into account in determining the federal alternative minimum tax imposed on certain corporations.

(f) Under existing law, as of the date hereof, interest on the Series 2017 Bonds is exempt from personal income taxes imposed by the Commonwealth, and the Series 2017 Bonds are exempt from personal property taxes imposed by the Commonwealth.

In rendering the opinions set forth in paragraphs (e) and (f) above we have relied upon, among other things, certain representations and covenants of the Authority in the Indenture, the Tax Regulatory Certificate and the General Certificate of the Authority, dated the date hereof. We call your attention to the fact that there are certain requirements contained in the Code with which the Authority must comply from and after the date of issuance of the Series 2017 Bonds in order for the interest thereon to be and remain excluded from gross income for federal income tax purposes. The Authority or any other Person, by failing to comply with such requirements, may cause interest on the Series 2017 Bonds to become includable in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2017 Bonds. We render no opinion as to any federal, state or local tax consequences with respect to the Series 2017 Bonds, or the interest thereon, if any change occurs or action is taken or omitted under the Indenture or the Tax Regulatory Certificate by the Authority or any other Person, or under any other relevant documents without the advice or approval of, or upon the advice or approval of any Bond Counsel other than, Harris Beach PLLC.

Except for the opinions as set forth in paragraphs (e) and (f) above, we express no opinion regarding any other federal, state or local income tax consequences arising with respect to the ownership or disposition of, or the receipt or accrual of interest on, the Series 2017 Bonds.

The foregoing opinions are qualified to the extent that the enforceability of the Bond Resolution, the Series 2017 Bonds, the Indenture, the Pledge Agreement, the Tax Regulatory Certificate and any other document executed in connection therewith may be limited by any applicable bankruptcy, insolvency or other similar law or equitable principle now or hereafter enacted by the Commonwealth or the federal government or pronounced by a court having proper jurisdiction, affecting the enforcement of creditors' rights generally.

We express no opinion as to (i) the title to the facility or facilities financed or refinanced by the Series 2017 Bonds, (ii) the sufficiency of the description of the Project in the Indenture, the Pledge Agreement or any other document, (iii) the perfection or priority of any liens, charges

or encumbrances, if any, on the facility or facilities financed or refinanced by the Series 2017 Bonds, (iv) the compliance by the Authority with applicable legal requirements in connection with the undertaking of the Renovation Improvements or (v) the accuracy, adequacy or completeness of the Placement Memorandum relating to the Series 2017 Bonds. Further, we have not been requested to examine and have not examined any documents or information relating to the Authority other than the record of proceedings hereinabove referred to, and no opinion is expressed as to any financial information, or the adequacy thereof, which has been or may be supplied to the to the Trustee, the Placement Agent, the purchaser of the Series 2017 Bonds or any other Person.

This opinion is given as of the date hereof, and we disclaim any obligation to update this opinion letter for events occurring after the date of this opinion letter. We express no opinion herein except as to the laws of the Commonwealth and the federal laws of the United States.

Very truly yours,

HARRIS BEACH PLLC

By: _____
_____, Member

[END OF APPENDIX D]

APPENDIX E

FORM OF DISCLOSURE DISSEMINATION AGENT AGREEMENT

DISCLOSURE DISSEMINATION AGENT AGREEMENT

This Disclosure Dissemination Agent Agreement (the “Disclosure Agreement”), dated as of _____, 2017, is executed and delivered by the Brockton Housing Authority (Brockton, Massachusetts) (the “Authority”) and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the “Disclosure Dissemination Agent” or “DAC”) for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) and in order to assist the Authority in processing certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the “Rule”).

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the Authority through use of the DAC system and do not constitute “advice” within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Act”). DAC will not provide any advice or recommendation to the Authority or anyone on the Authority’s behalf regarding the “issuance of municipal securities” or any “municipal financial product” as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary. DAC is not a “Municipal Advisor” as such term is defined in Section 15B of the Securities Exchange Act of 1934, as amended, and related rules.

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Placement Memorandum (hereinafter defined). The capitalized terms shall have the following meanings:

“Annual Filing Date” means the date, set in Sections 2(a) and 2(f) hereof, by which the Annual Report is to be filed with the MSRB.

“Annual Financial Information” means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

“Annual Report” means an Annual Report containing Annual Financial Information described in and consistent with Section 3 of this Disclosure Agreement.

“Audited Financial Statements” means the annual financial statements of the Authority for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i)(B) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

“Bonds” means the bonds as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

“Certification” means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Notice Event

notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure required to be submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Authority and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

“Disclosure Dissemination Agent” means Digital Assurance Certification, L.L.C, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Authority pursuant to Section 9 hereof.

“Disclosure Representative” means the Executive Director or his or her designee, or such other person as the Authority shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

“Failure to File Event” means the Authority’s failure to file an Annual Report on or before the Annual Filing Date.

“Force Majeure Event” means: (i) acts of God, war, or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access system maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent’s reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

“Holder” means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

“Information” means, collectively, the Annual Reports, the Audited Financial Statements, the Notice Event notices, the Failure to File Event notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

“MSRB” means the Municipal Securities Rulemaking Board, or any successor thereto, established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Notice Event” means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 4(a) of this Disclosure Agreement.

“Obligated Person” means any person, including the Authority, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities), as shown on Exhibit A.

“Placement Memorandum” means that Placement Memorandum prepared by the Authority in connection with the \$9,615,000 Brockton Housing Authority (Brockton, Massachusetts), Capital Fund Housing Revenue Bonds, Series 2017, as listed in Exhibit A.

“Trustee” means the institution, if any, identified as such in the document under which the \$9,615,000 Brockton Housing Authority (Brockton, Massachusetts), Capital Fund Housing Revenue Bonds, Series 2017 Bonds were issued.

“Voluntary Event Disclosure” means information of the category specified in any of subsections (e)(vi)(1) through (e)(vi)(11) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(a) of this Disclosure Agreement.

“Voluntary Financial Disclosure” means information of the category specified in any of subsections (e)(vii)(1) through (e)(vii)(9) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(b) of this Disclosure Agreement.

SECTION 2. Provision of Annual Reports.

(a) The Authority shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent, together with a copy for the Trustee, not later than the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to the MSRB not later than one (1) business day prior to nine (9) months following the end of each fiscal year of the Authority, commencing with the fiscal year ending December 31, 2017, for which the Annual Report due date is September 29, 2018. Such date and each anniversary thereof is the Annual Filing Date. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the Authority of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the Authority will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent to

immediately send a Failure to File Event notice to the MSRB in substantially the form attached as Exhibit B, which may be accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 10:00 a.m. Eastern time on Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a Failure to File Event shall have occurred and the Authority irrevocably directs the Disclosure Dissemination Agent to immediately send a Failure to File Event notice to the MSRB in substantially the form attached as Exhibit B without reference to the anticipated filing date for the Annual Report, which may be accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(d) If Audited Financial Statements of the Authority are prepared but not available prior to the Annual Filing Date, the Authority shall, when the Audited Financial Statements are available, provide at such time an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certification, together with a copy for the Trustee, if any, for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

- (i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;
- (ii) upon receipt, promptly file each Annual Report received under Sections 2(a) and 2(b) hereof with the MSRB;
- (iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) hereof with the MSRB;
- (iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) hereof with the MSRB, identifying the Notice Event as instructed by the Authority pursuant to Section 4(a) or 4(b)(ii) hereof (being any of the categories set forth below) when filing pursuant to Section 4(c) of this Disclosure Agreement:
 - 1. “Principal and interest payment delinquencies;”
 - 2. “Non-Payment related defaults, if material;”
 - 3. “Unscheduled draws on debt service reserves reflecting financial difficulties;”
 - 4. “Unscheduled draws on credit enhancements reflecting financial difficulties;”

5. “Substitution of credit or liquidity providers, or their failure to perform;”
 6. “Adverse tax opinions, IRS notices or events affecting the tax status of the security;”
 7. “Modifications to rights of securities holders, if material;”
 8. “Bond calls, if material;”
 9. “Defeasances;”
 10. “Release, substitution, or sale of property securing repayment of the securities, if material;”
 11. “Rating changes;”
 12. “Tender offers;”
 13. “Bankruptcy, insolvency, receivership or similar event of the obligated person;”
 14. “Merger, consolidation, or acquisition of the obligated person, if material;” and
 15. “Appointment of a successor or additional trustee, or the change of name of a trustee, if material;”
- (v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as “Failure to provide annual financial information as required” when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;
- (vi) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) hereof with the MSRB, identifying the Voluntary Event Disclosure as instructed by the Authority pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:
1. “amendment to continuing disclosure undertaking;”
 2. “change in obligated person;”
 3. “notice to investors pursuant to bond documents;”

4. “certain communications from the Internal Revenue Service;” other than those communications included in the Rule;”
 5. “secondary market purchases;”
 6. “bid for auction rate or other securities;”
 7. “capital or other financing plan;”
 8. “litigation/enforcement action;”
 9. “change of tender agent, remarketing agent, or other on-going party;”
 10. “derivative or other similar transaction;” and
 11. “other event-based disclosures;”
- (vii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) hereof with the MSRB, identifying the Voluntary Financial Disclosure as instructed by the Authority pursuant to Section 7(b) (being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:
1. “quarterly/monthly financial information;”
 2. “Timing of annual disclosure (120/150 days);”
 3. “change in fiscal year/timing of annual disclosure;”
 4. “change in accounting standard;”
 5. “interim/additional financial information/operating data;”
 6. “budget;”
 7. “investment/debt/financial policy;”
 8. “information provided to rating agency, credit/liquidity provider or other third party;”
 9. “consultant reports;” and
 10. “other financial/operating data.”
- (viii) provide the Authority evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

- (f) The Authority may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, Trustee (if any) and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.
- (g) Anything in this Disclosure Agreement to the contrary notwithstanding, any Information received by the Disclosure Dissemination Agent before 10:00 a.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 3. Content of Annual Reports.

(a) Each Annual Report shall contain Annual Financial Information with respect to the Authority, including the information provided in the Placement Memorandum under the headings:

1. “AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY;” and
2. “THE PUBLIC HOUSING CAPITAL FUND PROGRAM,” including:
 - A. statistics and fund data relating to appropriations by the U.S. Congress and the U.S. Department of Housing and Urban Development for programs dedicated to capital improvements and modernization needs of public housing authorities of the type set forth under the heading “Appropriations for Public Housing Modernization: 1980-2016”; and
 - B. statistics and fund data relating to allocations of funds to the Authority from the U.S. Department of Housing and Urban Development for capital improvements and modernization projects, including the amount of funds allocated, the intended use of funds, the applicable federal program from which funds are distributed and the percent of Capital Funds allocated to the Authority reserved for payment of debt service on the Bonds of the type set forth in the table under the headings, “Historical Obligation and Expenditure Compliance” and “The Authority’s Formula Share.”

(b) Audited Financial Statements as described in the Placement Memorandum will be included in the Annual Report. The accompanying financial statements will have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to special purpose government units solely in business-type activities. If audited financial statements are not available, then unaudited financial statements, prepared in accordance with GAAP or alternate accounting principles, will be included in the Annual Report. In such event, Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

Any or all of the items listed above may be included by specific reference from other documents, including Placement Memorandums of debt issues with respect to which the Authority is an “obligated person” (as defined by the Rule), which have been previously filed with the Securities and Exchange Commission or available on the MSRB Internet Website. If the document incorporated by reference is a final Placement Memorandum, it must be available from the MSRB. The Authority will clearly identify each such document so incorporated by reference.

If the Annual Financial Information contains modified operating data or financial information different from the Annual Financial Information agreed to in the continuing disclosure undertaking related to the Bonds, the Authority is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

SECTION 4. Reporting of Notice Events.

- (a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice Event:
1. Principal and interest payment delinquencies;
 2. Non-payment related defaults, if material;
 3. Unscheduled draws on debt service reserves reflecting financial difficulties;
 4. Unscheduled draws on credit enhancements reflecting financial difficulties;
 5. Substitution of credit or liquidity providers, or their failure to perform;
 6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
 7. Modifications to rights of Bond holders, if material;

8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

Note to subsection (a)(12) of this Section 4: For the purposes of the event described in subsection (a)(12) of this Section 4, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Authority shall, in a timely manner not later than nine (9) business days after its occurrence, notify the Disclosure Dissemination Agent in writing of the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Authority desires to make, contain the written authorization of the Authority for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Authority

desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the Authority or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within two business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if the Authority determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that either (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 4, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Authority desires to make, contain the written authorization of the Authority for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Authority desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed by the Authority as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with MSRB in accordance with Section 2 (e)(iv) hereof. This notice may be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

SECTION 5. CUSIP Numbers. The Authority will provide the Dissemination Agent with the CUSIP numbers for (i) new bonds at such time as they are issued or become subject to the Rule and (ii) any Bonds to which new CUSIP numbers are assigned in substitution for the CUSIP numbers previously assigned to such Bonds.

SECTION 6. Additional Disclosure Obligations. The Authority acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Authority, and that the duties and responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement do not extend to providing legal advice regarding such laws. The Authority acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Filing.

(a) The Authority may instruct the Disclosure Dissemination Agent to file a Voluntary Event Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that the Authority desires to make, contain the written authorization of the Authority

for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Authority desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Authority as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof. This notice may be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(b) The Authority may instruct the Disclosure Dissemination Agent to file a Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement), include the text of the disclosure that the Authority desires to make, contain the written authorization of the Authority for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Authority desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Authority as prescribed in this Section 7(b) hereof to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(e)(vii) hereof. This notice may be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-3.

(c) The parties hereto acknowledge that the Authority is not obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or any Voluntary Financial Disclosure pursuant to Section 7(b) hereof.

(d) Nothing in this Disclosure Agreement shall be deemed to prevent the Authority from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure, in addition to that required by this Disclosure Agreement. If the Authority chooses to include any information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure in addition to that which is specifically required by this Disclosure Agreement, the Authority shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure.

SECTION 8. Termination of Reporting Obligation. The obligations of the Authority and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Authority is no longer an obligated person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of counsel expert in federal securities laws to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent. The Authority has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure

Agreement. The Authority may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Authority or DAC, the Authority agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Authority shall remain liable to the Disclosure Dissemination Agent until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Authority.

SECTION 10. Remedies in Event of Default. In the event of a failure of the Authority or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Authority has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Authority and shall not be deemed to be acting in any fiduciary capacity for the Authority, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Authority's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Authority has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon Certifications of the Authority at all times.

The obligations of the Authority under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the Authority.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Authority and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Authority and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the Authority or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days written notice of the intent to do so together with a copy of the proposed amendment to the Authority. No such amendment shall become effective if the Authority shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Authority, the Trustee, if any, for the Bonds, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of Florida (other than with respect to conflicts of laws).

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Remainder of Page Intentionally Left Blank].

The Disclosure Dissemination Agent and the Authority have caused this Continuing Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C., as
Disclosure Dissemination Agent

By: _____
Name: Shana Blanchard
Title: Assistant CSM Director

BROCKTON HOUSING AUTHORITY
as Authority

By: _____
Name: Thomas G. Thibeault
Title: Executive Director

EXHIBIT A

NAME AND CUSIP NUMBERS OF BONDS

Name of Authority: Brockton Housing Authority (Brockton, Massachusetts)
Obligated Person(s): Brockton Housing Authority (Brockton, Massachusetts)
Name of Bond Issue: Capital Fund Housing Revenue Bonds, Series 2017
Date of Issuance: _____, 2017
Date of Placement Memorandum: _____, 2017

| | |
|---------------|------------|
| CUSIP Number: | 11174R AA5 |
| CUSIP Number: | 11174R AB3 |
| CUSIP Number: | 11174R AC1 |
| CUSIP Number: | 11174R AD9 |
| CUSIP Number: | 11174R AE7 |
| CUSIP Number: | 11174R AF4 |
| CUSIP Number: | 11174R AG2 |
| CUSIP Number: | 11174R AH0 |
| CUSIP Number: | 11174R AJ6 |
| CUSIP Number: | 11174R AK3 |
| CUSIP Number: | 11174R AL1 |
| CUSIP Number: | 11174R AM9 |
| CUSIP Number: | 11174R AN7 |
| CUSIP Number: | 11174R AP2 |
| CUSIP Number: | 11174R AQ0 |
| CUSIP Number: | 11174R AR8 |
| CUSIP Number: | 11174R AS6 |
| CUSIP Number: | 11174R AT4 |
| CUSIP Number: | 11174R AU1 |
| CUSIP Number: | 11174R AV9 |

EXHIBIT B

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Issuer: Brockton Housing Authority (Brockton, Massachusetts)

Obligated Person: Brockton Housing Authority (Brockton, Massachusetts)

Name(s) of Bond Issue(s): Brockton Housing Authority (Brockton, Massachusetts), Capital Fund Housing Revenue Bonds, Series 2017

Date(s) of Issuance: _____, 2017

Date(s) of Disclosure Agreement: _____, 2017

CUSIP Number: 11174R

NOTICE IS HEREBY GIVEN that the Authority has not provided an Annual Report with respect to the above-named Bonds as required by the Disclosure Agreement between the Authority and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. [The Authority has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by _____].

Dated: _____

Digital Assurance Certification, L.L.C., as
Disclosure Dissemination Agent, on behalf of
the Authority

cc: Thomas G. Thibeault
Executive Director

This cover sheet and accompanying “event notice” may be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's Six-Digit CUSIP Number: 11174R

Number of pages attached:

Description of Notice Events (Check One):

1. _____ “Principal and interest payment delinquencies;”
2. _____ “Non-Payment related defaults, if material;”
3. _____ “Unscheduled draws on debt service reserves reflecting financial difficulties;”
4. _____ “Unscheduled draws on credit enhancements reflecting financial difficulties;”
5. _____ “Substitution of credit or liquidity providers, or their failure to perform;”
6. _____ “Adverse tax opinions, IRS notices or events affecting the tax status of the security;”
7. _____ “Modifications to rights of securities holders, if material;”
8. _____ “Bond calls, if material;”
9. _____ “Defeasances;”
10. _____ “Release, substitution, or sale of property securing repayment of the securities, if material;”
11. _____ “Rating changes;”
12. _____ “Tender offers;”
13. _____ “Bankruptcy, insolvency, receivership or similar event of the obligated person;”
14. _____ “Merger, consolidation, or acquisition of the obligated person, if material;” and
15. _____ “Appointment of a successor or additional trustee, or the change of name of a trustee, if material.”

Failure to provide annual financial information as required.

I hereby represent that I am authorized by the Authority or its agent to distribute this information publicly:

Signature: _____

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
315 East Robinson Street, Suite 300
Orlando, FL 32801

Date:

EXHIBIT C-2
VOLUNTARY EVENT DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary event disclosure" may be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of _____, 2017 between the Authority and DAC.

Issuer's and/or Other Obligated Person's Name: Brockton Housing Authority
(Brockton, Massachusetts)

Issuer's Six-Digit CUSIP Number: 11174R

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates: _____

Number of pages attached: _____

_____ Description of Voluntary Event Disclosure (Check One):

1. _____ "amendment to continuing disclosure undertaking;"
2. _____ "change in obligated person;"
3. _____ "notice to investors pursuant to bond documents;"
4. _____ "certain communications from the Internal Revenue Service;"
5. _____ "secondary market purchases;"
6. _____ "bid for auction rate or other securities;"
7. _____ "capital or other financing plan;"
8. _____ "litigation/enforcement action;"
9. _____ "change of tender agent, remarketing agent, or other on-going party;"
10. _____ "derivative or other similar transaction;" and
11. _____ "other event-based disclosures."

I hereby represent that I am authorized by the Authority or its agent to distribute this information publicly:

Signature: _____

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
315 East Robinson Street, Suite 300
Orlando, FL 32801

Date:

EXHIBIT C-3

VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET

This cover sheet and accompanying “voluntary financial disclosure” may be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of _____, 2017 between the Authority and DAC.

Issuer's and/or Other Obligated Person's Name: Brockton Housing Authority
(Brockton, Massachusetts)

Issuer's Six-Digit CUSIP Number: 11174R

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

Number of pages attached: _____

Description of Voluntary Financial Disclosure (Check One):

1. _____ “quarterly/monthly financial information;”
2. _____ “change in fiscal year/timing of annual disclosure;”
3. _____ “change in accounting standard;”
4. _____ “interim/additional financial information/operating data;”
5. _____ “budget;”
6. _____ “investment/debt/financial policy;”
7. _____ “information provided to rating agency, credit/liquidity provider or other third party;”
8. _____ “consultant reports;” and
9. _____ “other financial/operating data.”

I hereby represent that I am authorized by the Authority or its agent to distribute this information publicly:

Signature: _____

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
315 East Robinson Street, Suite 300
Orlando, FL 32801

Date:

APPENDIX F
AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY

BROCKTON HOUSING AUTHORITY
Brockton, Massachusetts

MANAGEMENT'S DISCUSSION & ANALYSIS
AND AUDITED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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BROCKTON HOUSING AUTHORITY
Brockton, Massachusetts

**REPORT ON EXAMINATION
OF FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

YEAR ENDED DECEMBER 31, 2015



**UNMODIFIED OPINIONS ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION
AND OTHER INFORMATION – STATE OR LOCAL GOVERNMENTAL ENTITY**

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Brockton Housing Authority
Brockton, Massachusetts 02403

Boston Regional Office
Public Housing Division
10 Causeway Street
Boston, Massachusetts 02222-1092

Report on Financial Statements

We have audited the accompanying financial statements of the Brockton Housing Authority as of and for the year ended December 31, 2015, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Opinion

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Brockton Housing Authority, as of December 31, 2015, and the respective changes in financial position and, where appropriate, cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, as listed in the table of contents, should be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedure did not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Brockton Housing Authority. The accompanying Schedule of Expenditures of Federal Awards as required by the Uniform Guidance, as well as the Financial Data Schedules required by the U.S. Department of Housing and Urban Development, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2016 on our consideration of the Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Rector, Reeder & Lofton, P.C.
Certified Public Accountants

Lawrenceville, Georgia
May 12, 2016

BROCKTON HOUSING AUTHORITY
Brockton, Massachusetts

MANAGEMENT'S DISCUSSION & ANALYSIS

YEAR ENDED DECEMBER 31, 2015

**BROCKTON HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION & ANALYSIS
FISCAL YEAR ENDED DECEMBER 31, 2015**

This section of the Authority's annual financial report presents Management's analysis of the Authority's financial performance during the Fiscal Year Ended December 31, 2015.

FINANCIAL HIGHLIGHTS AND CONCLUSIONS

The Brockton Housing Authority has made the transition to the Governmental Accounting Standards Board Statement No. 34 (GASB 34) in prior periods which require this executive narrative. The financial statements for 2015 have been reviewed by key management staff to assess the financial health of the Authority. The reader of this report should also understand that the interfund accounts, which balance between all funds, have been eliminated from the consolidated report and from this analysis. It is apparent in the future that the Authority must rely less on uncertain grant funding and develop alternative resources to maintain current service levels. The Authority has made the necessary financial and organizational changes to comply with the requirements of project based accounting in this next year. Financial highlights of this past year are as follows:

- During FY 2015, the Authority's grant funding increased by 4.02% from FY 2014.
- The assets and deferred outflows of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$26,215,365 (net position) as opposed to \$36,255,163 for the prior fiscal year.
- The Authority continues to try to develop self-sufficient non-federal housing for low income families.
- The Housing Authority has implemented GASB 68, Accounting and Financial Reporting for Pensions, during the current fiscal year. As a result of this implementation an \$11,305,242 long-term pension liability has been recorded along with deferred outflows and a prior period adjustment.

REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the Authority report information using accounting methods similar to those used by private sector companies (Enterprise Fund).

The Statement of Net Position (Balance Sheet) includes all of the Authority's assets and liabilities and provides information about the amounts and investments in assets and the obligations to Authority creditors. It also provides a basis of assessing the liquidity and financial flexibility of the Authority. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial health of the Authority is improving or deteriorating.

The current year's revenues, expenses, and changes in net position are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the Authority's operations over the past fiscal year.

The Statement of Cash Flows provides information about the Authority's cash receipts and disbursements during the reporting period. The statement reports net changes in cash resulting from operations.

FINANCIAL ANALYSIS OF THE AUTHORITY

One question frequently asked about an Authority's finances is "Did the Authority's operations and financial position improve or deteriorate over the previous fiscal year?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Authority's activities and are summarized in the following sections.

To begin our analysis, a summary of the Authority's Statement of Net Position is presented in Table I.

Brockton Housing Authority
Comparative Statement of Net Position
Table I

| | 2015 | 2014 | Total Change | % Change |
|---|----------------------|----------------------|---------------------|----------------|
| Current Assets | \$ 10,380,246 | \$ 10,828,502 | \$ (448,256) | -4.14% |
| Capital Assets | 51,176,645 | 52,533,912 | (1,357,267) | -2.58% |
| Deferred Outflows | 3,080,613 | - | 3,080,613 | 100.00% |
| Total Assets & Deferred Outflows | \$ 64,637,504 | \$ 63,362,414 | \$ 1,275,090 | 2.01% |
| Current Liabilities | \$ 2,917,775 | \$ 3,090,244 | \$ (172,469) | -5.58% |
| Noncurrent Liabilities | 35,504,364 | 24,017,007 | 11,487,357 | 47.83% |
| Total Liabilities | 38,422,139 | 27,107,251 | 11,314,888 | 41.74% |
| Deferred Inflows | - | - | - | 0.00% |
| Net Investment in Capital Assets | 36,788,280 | 37,561,664 | (773,384) | -2.06% |
| Restricted | 2,053,933 | 2,198,971 | (145,038) | -6.60% |
| Unrestricted | (12,626,848) | (3,505,472) | (9,121,376) | 260.20% |
| Total Net Position | 26,215,365 | 36,255,163 | (10,039,798) | -27.69% |
| Total Liabilities, Deferred Inflows & Net Position | \$ 64,637,504 | \$ 63,362,414 | \$ 1,275,090 | 2.01% |

As illustrated in the Comparative Statement of Net Position, Total Assets & Deferred Outflows increased by \$1,275,090 or 2.01%. Total Liabilities increased by \$11,314,888 or 41.74%, and Total Net Position decreased by \$10,039,798 or 27.69%.

Current assets decreased by \$448,256 or 4.14% due to amounts due from HUD decreasing by \$758,595 or 99.97%. There were also decreases in accounts receivable from tenants of \$130,017 or 38.39% due to the reclassification of some amounts to fraud receivables, which consequently, increased by \$53,425 or 100%. Prepaid expenses also decreased by \$537,931 due to the reclassification of prepaid retirement expenses to deferred outflows, per GASB 68.

Capital Assets decreased by \$1,357,267 or 2.58%, as illustrated further in the capital assets portion of this document.

The Authority recorded \$3,080,613 in Deferred Outflows of Resources during the year, which consists of contributions made to the Authority's retirement plan after the plan's measurement date. More information is provided in the accompanying Notes to the Financial Statements.

Current Liabilities decreased by \$172,469 or 5.58%, due to decreases in several areas. Accounts payable decreased by \$161,506 or 26.31% due to the timing of year-end payables. Accounts payable – PHA projects decreased by \$87,361 or 100% due to amounts owed to other Housing Authorities last year that were satisfied during the current year. Unearned revenue also decreased by \$84,819 or 28.39% primarily due to a reclassification of energy rebates from unearned revenue to other income.

Non-current Liabilities increased by \$11,487,357 or 47.83%, due almost entirely to the recording of the Authority's net pension liability in the amount of \$11,305,242. This has also reduced the Authority's Net Position due to the implementation of GASB Statement No. 68 "Accounting and Financial Reporting for Pensions" which is detailed in the Notes to the Financial Statements accompanying this report.

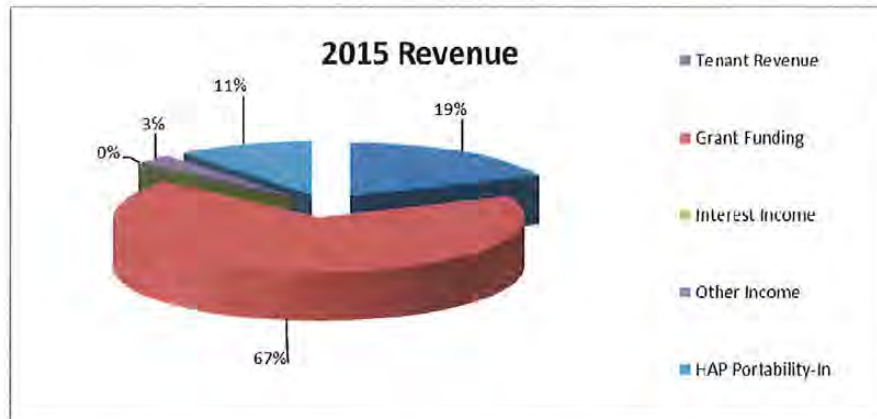
While the Statement of Net Position shows the change in financial position, the Statement of Revenues, Expenses, and Changes in Net Position breaks down revenues and expenses further. Table II, which follows, provides a comparative statement of these changes.

Brockton Housing Authority
Comparative Statement of Revenues, Expenses, and Changes in Net Position
Table II

| | <u>2015</u> | <u>2014</u> | <u>Total Change</u> | <u>% Change</u> |
|-----------------------------|----------------------|----------------------|------------------------|-----------------|
| Tenant Revenue | \$ 8,294,340 | \$ 8,087,133 | \$ 207,207 | 2.56% |
| Grant Funding | 30,025,444 | 28,865,940 | 1,159,504 | 4.02% |
| Interest Income | 58,971 | 20,433 | 38,538 | 188.61% |
| Other Income | 1,249,451 | 1,066,848 | 182,603 | 17.12% |
| HAP Portability-In | 4,746,360 | 5,540,668 | (794,308) | -14.34% |
| Total Revenue | 44,374,566 | 43,581,022 | 793,544 | 1.82% |
| Administration | 5,807,565 | 5,172,603 | 634,962 | 12.28% |
| Tenant Services | 322,956 | 418,490 | (95,534) | -22.83% |
| Utilities | 5,412,146 | 5,240,066 | 172,080 | 3.28% |
| Maintenance | 5,822,609 | 4,872,685 | 949,924 | 19.49% |
| Protective Services | 570,343 | 602,326 | (31,983) | -5.31% |
| General | 1,068,375 | 1,338,569 | (270,194) | -20.19% |
| Housing Assistance Payments | 18,103,664 | 17,505,074 | 598,590 | 3.42% |
| Financial | 506,885 | 580,375 | (73,490) | -12.66% |
| HAP Portability-In | 4,746,360 | 5,540,668 | (794,308) | -14.34% |
| Depreciation & amortization | 3,560,391 | 3,473,482 | 86,909 | 2.50% |
| Total Expenses | 45,921,294 | 44,744,338 | 1,176,956 | 2.63% |
| Change in Net Position | (1,546,728) | (1,163,316) | (383,412) | 32.96% |
| Special Item | - | (9,375,670) | 9,375,670 | 100.00% |
| Prior period adjustment | (8,493,070) | - | (8,493,070) | -100.00% |
| Beginning Net Position | 36,255,163 | 46,794,149 | (10,538,986) | -22.52% |
| Ending Net Position | \$ 26,215,365 | \$ 36,255,163 | \$ (10,039,798) | -27.69% |

REVENUES

In reviewing the Statement of Revenues, Expenses, and Changes in Net Position, you will find that 67% of the Authority's revenues are derived from grants from the Department of Housing and Urban Development and state sources. The Authority receives revenue from tenants for dwelling rental charges, excess utilities, and miscellaneous charges which account for 19% of total revenue. HAP Portability-In Revenue comprises 11% of the Authority's revenue, and Other Revenue including Interest from Investments comprises the remaining 3%. Compared to the fiscal year ended December 31, 2014, total revenues increased by \$793,544 or 1.82%.



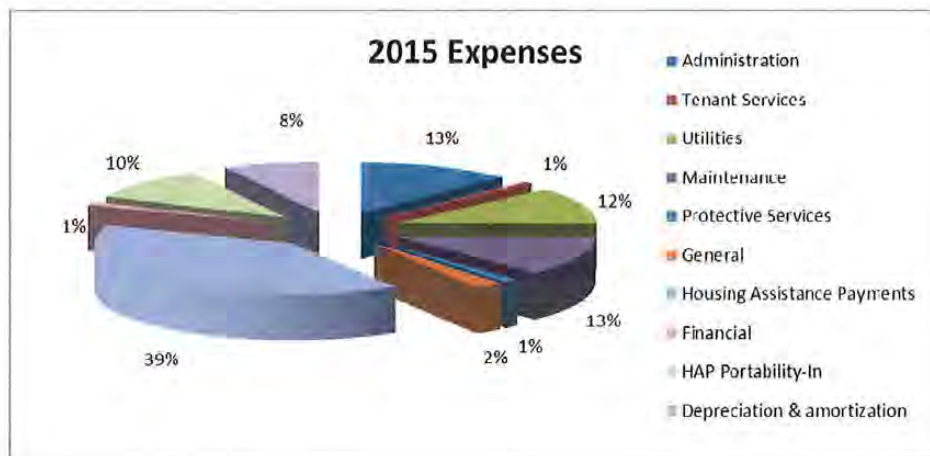
Tenant Revenue - Tenant revenue increased from \$8,087,133 to \$8,294,340, an increase of \$207,207 or 2.56%, mainly due to additional units leased.

Program Grants/Subsidies - The Authority experienced a 4.02% increase in total grant revenue compared to the previous year which was primarily due to increases in HUD operating grants of \$2,110,783 or 8.13%, increasing from \$25,965,328 to \$28,076,111 due to more capital funds used for operations and increased funding in the ROSS, Housing Choice Voucher and State MRVP programs. Other governments grant revenues decreased by \$430,229 or 20.64% due to decreased activity in the State/Local programs. HUD capital grants decreased by \$521,050 or 63.84% due to less amounts spent on capital projects.

HAP Portability-In, Interest and Other Income - HAP Portability-In revenue for the year was \$4,746,360, resulting in a decrease of \$794,308 or 14.34% from FY 2014. Other income increased by \$182,603 or 17.12% primarily due to a reclassification of energy rebates from unearned revenue to other income. Interest income increased by \$38,538 or 188.61% due to the timing of accrued interest payments.

EXPENSES

The Brockton Housing Authority experienced an increase of \$1,176,956 or 2.63% in total expenses for the current year from \$44,744,338 to \$45,921,294. The highlights of the expenses for the current year are as follows:



Administrative - Administrative costs include all non-maintenance and non-resident service personnel costs (including benefits), legal costs, auditing costs, travel and training costs, and other administrative costs such as supplies, telephone expense, etc. Compared to 2014, administrative costs increased by \$634,962 or 12.28%. This was due to increases in salaries and benefits of \$879,962 or 22.12% due to the pension accrual in employee benefits for the GASB 68 implementation.

Tenant Services - Tenant services costs include all costs incurred by the Authority to provide social services to the residents. The Resident Advisory Board (RAB) receives funding for board meetings, training costs, and other items to assist the RAB in staying informed on its role in the Authority's operations. The individual tenant councils receive assistance on costs of meetings and other social activities provided. Tenant services costs decreased from \$418,490 to \$322,626, a decrease of \$95,534 or 22.83%, due to decreased funding availability in HCV.

Utilities - The total utilities expense for the Authority increased slightly by \$172,080 or 3.28% due to annual fluctuations.

Maintenance - Maintenance costs are all costs incurred by the Authority to maintain the Public Housing units available for occupancy, which are owned by the Authority, in a safe and sanitary manner. Costs include personnel costs, materials used to maintain the units, contracts for waste management, vehicles etc. Maintenance expense for the Authority increased by \$949,924 or 19.49%. The general increase in maintenance expense was due to the very harsh winter and record breaking snowfall occurring in fiscal year 2015. The Authority contracted extra help during this time to deal with the increased workload.

Protective Services - Protective Services expense decreased slightly by \$31,983 or 5.31%.

General & Financial Expenses - General Expenses include insurance costs (property, auto, liability, workers' compensation, public officials' liability, lead based paint insurance, etc.), compensated absences, collection losses, payments in lieu of taxes to the City of Brockton, and interest and amortization costs. General expenses decreased from \$1,338,569 to \$1,068,375, a decrease of \$270,194 or 20.19%. This decrease was due mainly to a decrease in other general expenses of \$368,847 due to increased expenses in the prior year for the HOME funds. Bad debt also decreased by \$35,958 or 37.65% due to decreased write-offs during the year. Financial expenses decreased by 12.66% or \$73,490 due mainly to the increased liquidation and consolidation of debt resulting in reduced interest charges.

Housing Assistance Payments Program - HAP payments consists of rental payments to owners of private property for which the housing authority has a HAP agreement with the tenant and the owner for the difference between the tenants rent and the applicable payment standard. During the year, the regular HAP expense increased by \$598,590 or 3.42%, while HAP Portability-In decreased by \$794,308 or 14.34% due to decreased payments for portability vouchers in FY 2015.

Depreciation - Because the costs of all capitalized additions are spread over the estimated useful life of an asset, the estimated current year costs of capitalized items is recorded as depreciation. Depreciation expense for the current year increased by \$126,470 or 3.68% compared to FY 2014.

CAPITAL ASSETS

A statement of capital asset activity is shown below for 2014 and 2015.

Brockton Housing Authority
Comparative Statement of Capital Assets
Table III

| | <u>2015</u> | <u>2014</u> | <u>Total Change</u> | <u>% Change</u> |
|-----------------------------|-----------------------------|-----------------------------|------------------------------|-----------------|
| Land | \$ 2,605,924 | \$ 2,479,924 | \$ 126,000 | 5.08% |
| Buildings & improvements | 139,652,985 | 132,580,388 | 7,072,597 | 5.33% |
| Equipment | 1,146,835 | 955,359 | 191,476 | 20.04% |
| Construction in Progress | 3,697,039 | 8,883,988 | (5,186,949) | -58.39% |
| Accumulated Depreciation | <u>(95,926,138)</u> | <u>(92,365,747)</u> | <u>(3,560,391)</u> | 3.85% |
| Total Capital Assets | <u>\$ 51,176,645</u> | <u>\$ 52,533,912</u> | <u>\$ (1,357,267)</u> | -2.58% |

Major changes in the capital asset accounts are summarized below:

| | |
|------------------------------|----------------------|
| Balance at January 1, 2015 | \$ 52,533,912 |
| Additions from operations | 541,994 |
| Capital Fund additions | 295,087 |
| State program additions | 1,366,043 |
| Depreciation expense | <u>(3,560,391)</u> |
| Balance at December 31, 2015 | <u>\$ 51,176,645</u> |

DEBT ADMINISTRATION

As of December 31, 2015, the Brockton Housing Authority has \$14,388,365 of debt outstanding related to the operation of various state and local programs. The following is a summary in the changes of total debt obligations for the year ended December 31, 2015:

| <u>Program</u> | <u>Current</u> | <u>Long-Term</u> | <u>Total</u> |
|--|-------------------|----------------------|----------------------|
| 2-2 Sheppard Street | \$ 20,553 | \$ 124,848 | \$ 145,401 |
| Mayor's Homeownership Initiative | - | 22,000 | 22,000 |
| CFFP | 460,000 | 5,810,000 | 6,270,000 |
| Capital Lease Obligation - EPC | 224,646 | 5,245,488 | 5,470,134 |
| Affordable Housing Program | <u>78,998</u> | <u>2,401,832</u> | <u>2,480,830</u> |
| | <u>\$ 784,197</u> | <u>\$ 13,604,168</u> | <u>\$ 14,388,365</u> |
| Balance at the beginning of the period | | | \$ 14,972,248 |
| New debt issued - Affordable Housing | | | 145,401 |
| Amortization - issuance costs | | | 36,238 |
| Principal payments | | | <u>(765,522)</u> |
| Balance at December 31, 2014 | | | <u>\$ 14,388,365</u> |

ECONOMIC FACTORS AND EVENTS AFFECTING OPERATIONS

Several factors may affect the financial position of the authority in the subsequent fiscal year. These factors include:

- (1) Local labor supply and demand, which can affect salary and wage rates.
- (2) The continued escalation of energy costs, employee benefits combined with diminishing public subsidies in our State of Massachusetts funded programs will all be important factors in the decision making of the Authority as we transition to Asset Management model and implement Project Based Accounting.
- (3) The consistent underfunding of programs by the Department of Housing and Urban Development.

CONCLUSIONS:

Overall, the Brockton Housing Authority is remaining stable in the new financial environment. Its management is committed to staying abreast of regulations and appropriations as well as maintaining an ongoing analysis of all budgets and expenses to ensure that the Authority continues to operate at the highest standards established by the Real Estate Assessment Center and the Department of Housing and Urban Development. This report shows a decrease in federal and state grant funding, and it is apparent that this trend will continue and the Authority must plan for executing its mission with fewer resources in the future.

This financial report is designed to provide our residents, the citizens of Brockton, Massachusetts, all federal and state regulatory bodies, and any creditors with a general overview of the Authority's finances. If you have any questions regarding these financial statements or supplemental information, you may contact Thomas G. Thibeault, Executive Director at (508) 588-6880 or by writing: Brockton Housing Authority, 45 Goddard Rd. Brockton, MA 02301.

BROCKTON HOUSING AUTHORITY
Brockton, Massachusetts

AUDITED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

LIABILITIES, DEFERRED INFLOWS & NET POSITION

Current Liabilities

| | |
|--|----------------------|
| Accounts payable | \$ 699,579 |
| Accrued liabilities | 1,211,906 |
| Unearned revenue | 213,970 |
| Long-term debt - current portion | 784,197 |
| Tenant security deposits/escrow deposits | <u>8,123</u> |
| Total Current Liabilities | <u>2,917,775</u> |

Noncurrent Liabilities

| | |
|--|-----------------------|
| Mortgage & Notes payable | 13,604,168 |
| Accrued compensated absences | 88,721 |
| Net Pension and OPEB Liabilities - see Note H & Note O | 21,510,561 |
| Trust deposit liabilities | <u>300,914</u> |
| Total Noncurrent Liabilities | <u>35,504,364</u> |

| | |
|-------------------|-------------------|
| TOTAL LIABILITIES | <u>38,422,139</u> |
|-------------------|-------------------|

DEFERRED INFLOWS OF RESOURCES

-

NET POSITION

| | |
|----------------------------------|-----------------------|
| Net Investment in Capital Assets | 36,788,280 |
| Restricted | 2,053,933 |
| Unrestricted | <u>(12,626,848)</u> |
| TOTAL NET POSITION | <u>26,215,365</u> |

| | |
|---|-----------------------------|
| TOTAL LIABILITIES, DEFERRED INFLOWS & NET POSITION | \$ <u>64,637,504</u> |
|---|-----------------------------|

BROCKTON HOUSING AUTHORITY
Brockton, Massachusetts

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2015

Operating Revenue

| | |
|--------------------------------|--------------------------|
| Dwelling rent | \$ 8,294,340 |
| Governmental grants & subsidy | 29,730,357 |
| Portability HAP income | 4,746,360 |
| Other income | 1,249,451 |
| Total Operating Revenue | <u>44,020,508</u> |

Operating Expenses

| | |
|---|--------------------------|
| Administration | 5,807,565 |
| Tenant services | 322,956 |
| Utilities | 5,412,146 |
| Maintenance & operations | 5,822,609 |
| Protective services | 570,343 |
| General expense | 1,068,375 |
| Housing assistance payments | 18,103,664 |
| Portability housing assistance payments | 4,746,360 |
| Depreciation | 3,560,391 |
| Total Operating Expense | <u>45,414,409</u> |

| | |
|------------------------------------|---------------------------|
| Net Operating Income/(Loss) | <u>(1,393,901)</u> |
|------------------------------------|---------------------------|

Nonoperating Revenues/(Expenses)

| | |
|---|-------------------------|
| Investment income | 58,971 |
| Interest expense | (506,885) |
| Net Nonoperating Revenues/(Expenses) | <u>(447,914)</u> |

| | |
|---|--------------------|
| Net income/(Loss) before capital contributions | (1,841,815) |
|---|--------------------|

| | |
|----------------|----------------|
| Capital grants | <u>295,087</u> |
|----------------|----------------|

| | |
|--|--------------------|
| Increase/(Decrease) in Net Position | (1,546,728) |
|--|--------------------|

| | |
|--------------------------------|------------|
| Total Net Position - beginning | 36,255,163 |
|--------------------------------|------------|

| | |
|--|--------------------|
| Prior period adjustment - recognition of Net Pension Liability | <u>(8,493,070)</u> |
|--|--------------------|

| | |
|------------------------------------|-----------------------------|
| Total Net Position - ending | <u>\$ 26,215,365</u> |
|------------------------------------|-----------------------------|

The accompanying notes are an integral part of the financial statements.

BROCKTON HOUSING AUTHORITY
Brockton, Massachusetts

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--|--------------------|
| Receipts from customers and users | \$ 9,543,791 |
| Governmental grants & subsidy - operations | 29,730,357 |
| Payments to suppliers | (8,549,257) |
| Payments for housing assistance | (22,850,024) |
| Payments to employees | <u>(4,291,719)</u> |
| NET CASH PROVIDED/(USED) FROM OPERATING ACTIVITIES | <u>3,583,148</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|--|---------------|
| Interest received | <u>58,971</u> |
| NET CASH PROVIDED/(USED) FROM INVESTING ACTIVITIES | <u>58,971</u> |

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

| | |
|--|---------------------|
| Grant revenue - capital grants | 295,087 |
| Acquisition of capital assets - capital grants | (295,087) |
| Acquisition of capital assets - operations | (541,994) |
| Acquisition of capital assets - state programs | (1,366,043) |
| New debt issued | 145,401 |
| Payment of interest | (506,885) |
| Payment on mortgages/notes payable | <u>(729,284)</u> |
| NET CASH PROVIDED/(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(2,998,805)</u> |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 643,314 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | <u>9,173,221</u> |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | <u>\$ 9,816,535</u> |

The accompanying notes are an integral part of the financial statements.

BROCKTON HOUSING AUTHORITY
Brockton, Massachusetts

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

Reconciliation of operating income to net cash provided by operating activities:

| | |
|--|--------------------------------|
| Net Income/(Loss) from operations | \$ (1,393,901) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | |
| Depreciation | 3,560,391 |
| Decrease (Increase) in accounts receivable | 561,803 |
| Decrease (Increase) in prepaid expenses | 537,931 |
| Decrease (Increase) in inventory | (8,164) |
| Increase (Decrease) in accounts payable | (226,336) |
| Increase (Decrease) in accrued liabilities & GASB 68 | 566,298 |
| Increase (Decrease) in unearned revenue | (84,819) |
| Increase (Decrease) in security/trust deposits | <u>69,945</u> |
| NET CASH PROVIDED/(USED) FROM OPERATING ACTIVITIES | <u><u>\$ 3,583,148</u></u> |

The accompanying notes are an integral part of the financial statements.

BROCKTON HOUSING AUTHORITY
Brockton, Massachusetts

NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2015

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY:

1. Introduction:

The financial statements of the Authority have been prepared in conformity with Generally Accepted Accounting Principles (GAAP). The following summary of the more significant accounting policies is presented to assist the reader in interpreting these financial statements, and should be viewed as an integral part of this report.

2. Organization:

The Brockton Housing Authority is authorized by and operates under the provisions of Chapter 121B of the Massachusetts General Laws, as amended, which is known as the Housing and Urban Renewal Law. The Brockton Housing Authority ("The Authority") is a public body and a body corporate and politic organized under the laws of the State of Massachusetts by the City of Brockton for the purpose of providing adequate housing for qualified low-income individuals. The City provides no financial support to the Authority and is not responsible for the debts or entitled to the surpluses of the Authority. The Authority has the power to approve its own budget and maintains its own accounting system. Although the City of Brockton appoints the governing board of the Authority, no other criteria established by Governmental Accounting Standards Board for inclusion of the Authority in the financial reports of the City of Brockton are met. Therefore, a separate financial report is prepared for the Authority. Additionally, the Authority has entered into annual contribution contracts with the U.S. Department of Housing and Urban Development ("HUD") to be the administrator of the housing and housing related programs described herein. The Authority is not subject to Federal or State income taxes and is not required to file Federal or State income tax returns.

The Brockton Housing Authority is governed by a five-member Board of Commissioners as follows:

| | <u>Term Expires</u> |
|-------------------------------------|---------------------|
| Timothy J. Sullivan, Chairman | February 28, 2017 |
| Ernest Pettiford, Vice-Chairman | March 28, 2017 |
| David Teixeira, Treasurer | March 1, 2020 |
| Janet R. Trask, Assistant Treasurer | January 12, 2018 |
| Sandra Proctor, Commissioner | September 23, 2018 |

The Executive Director, Thomas G. Thibeault, is responsible for the daily administration of the Authority.

The Brockton Housing Authority currently administers the following housing programs:

Federal Conventional Housing - PHA Owned
Federal Section 8 Housing Choice Voucher Program
State-Aided Housing Program 400-1
State-Aided 689-1 and 689-2 Special Needs Housing Program
Massachusetts Rental Voucher Program
Federal Capital Grant Program
State HOME, Youth Build and Mayor's Initiative Homebuilding Programs
State-Aided Modernization Program
Regional Leased Housing Program

BROCKTON HOUSING AUTHORITY
Brockton, Massachusetts

NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2015
(Continued)

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)

3. Description of a Public Housing Authority:

Funding for the Brockton Housing Authority is primarily from the United States Department of Housing and Urban Development (HUD) and from payments received from tenants of the Authority owned housing. Under the Low Rent Housing Program, low income tenants pay a portion of the rental cost of public housing, based upon the income and need of the tenants. HUD funds the difference between the actual costs to operate the Low Rent Housing Program and the amounts paid by tenants through operating subsidies. These subsidies and debt service payments are made to or on behalf of the Authority under the terms and conditions of the annual contributions contract with HUD.

The Section 8 Housing Choice Voucher Program provides rental supplements to the owners of existing private housing who rent to qualifying individuals. The Authority processes all applicants for the Section 8 Housing Assistance Payments Program, places approved applicants in housing and pays the owner of the private housing a monthly rental supplement. Under the conditions of an annual contributions contract, HUD reimburses the Authority for the rental supplements and the administrative cost of managing the Program.

4. Reporting Entity:

In determining how to define the reporting entity, management has considered all potential component units by applying the criteria set forth in Section 2100 and 2600 of the *Codification of Government Accounting Standards Board and Financial Accounting Standards Board and Statement Number 14 and 61 of the Government Accounting Standards Board, the Financial Reporting Entity*.

Financial Accountability - The Authority is responsible for its debts, does not impose a financial burden on the City of Brockton and is entitled to all surpluses. No separate agency receives a financial benefit nor imposes a financial burden on the Authority.

Appointment of a Voting Majority - The Authority is governed by a Board of Commissioners appointed by the City of Brockton and has governance responsibilities over all activities related to all housing activities within the City of Brockton. The Board of Commissioners has decision making authority and the power to designate management. The members do not serve at the discretion of the City; i.e., they can be removed only for cause. The Authority's Board elects its own chairperson.

Imposition of Will - The City has no influence over the management, budget, or policies of the Authority. The Authority's Board of Commissioners has the responsibility to significantly influence the Authority's operations. This includes, but is not limited to, adoption of the budget, personnel management, sole title to, and residual interest in all assets (including facilities and properties), signing contracts, issuing bonds, and deciding which programs are to be provided.

On the basis of the application of these criteria, the Authority is a legally separate entity that is fiscally independent of other governments, and there are no other entities that are to be reported as component units of the Authority nor for the Authority to be included in the City of Brockton financial reports therefore, the Authority reports independently.

BROCKTON HOUSING AUTHORITY
Brockton, Massachusetts

NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2015
(Continued)

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)

5. Basis of Presentation:

Basis of Accounting - The Authority uses the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded when liabilities are incurred, regardless of when the related cash flow takes place.

Basis of Presentation - The financial statements of the Authority are presented from a program perspective and presented as a single fund. Program accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Authority functions. The fund is a separate accounting entity with a self-balancing set of accounts. The accounting and financial reporting method applied by a fund is determined by the fund's measurement focus. The accounting objectives are determination of net income, financial position and cash flows. All assets and liabilities associated with the Authority's activities are included on the Statement of Net Position. Proprietary fund equity is segregated into three broad components: Net Investment in Capital Assets, Restricted Net Position, and Unrestricted Net Position. The Authority uses the following fund:

Proprietary fund/Enterprise fund - This type of fund is reported using an economic resources measurement focus. Additionally, it is used to account for operations that are financed and operated in a manner similar to private businesses where a fee is charged to external users for services provided.

The Authority operates the following programs:

1. Low Income Public Housing – The objective of the program is to provide decent, safe and sanitary housing and related facilities for eligible low-income families and the elderly.
2. Capital Fund Program – The objective of these programs are to improve the physical condition of the Low Income Public Housing units and upgrade the management of the program.
3. Housing Choice Voucher Program – The objective of the program is to help low-income families obtain decent, safe, and sanitary housing through a system of rental assistance. HUD has entered into an Annual Contributions Contract (ACC) with the Authority that reimburses the Authority for the rental supplements paid to private landlords and the administrative costs of managing the program.
4. State & Local – The objective of the program is to provide decent, safe and sanitary housing and related facilities for eligible low-income families and the elderly. The state housing includes locally owned units, Modernization programs, a State HOME program operated in conjunction with the Brockton Redevelopment Authority, and the Massachusetts Rental Voucher Program (MRVP). During the year, the HOME program continued their development of for-sale units to low-and moderate-income residents. The MRVP program receives its funding from the Massachusetts Department of Housing and Community Development which is pass-through Federal Housing Choice Voucher Program increments that are managed by the Commonwealth of Massachusetts. All non-MRVP program revenues are from state and local sources (Non-Federal).
5. Regional Leased Housing Program – the objective of this program is to administer the incoming portable units from other housing agencies.

BROCKTON HOUSING AUTHORITY
Brockton, Massachusetts

NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2015
(Continued)

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)

6. Basis of Accounting and Measurement Focus:

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The Proprietary Fund Types are accounted for on an economic resources measurement focus using the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded when liabilities are incurred.

7. Encumbrances:

Encumbrances represent commitments related to unperformed contracts for goods or services. The Authority does not utilize encumbrance accounting.

8. Revenues and Expenses:

Revenues and expenses are recognized in essentially the same manner as used in commercial accounting. Revenues relating to the Authority's operating activities including rental related income, interest income and other sources of revenues are recognized in the accounting period in which they are earned. Other major sources of revenues include the operating subsidy from HUD and other HUD funding for capital and operating expenses.

9. Budgets:

The Authority is required by its HUD Annual Contributions Contracts to adopt an annual budget for the Low Rent Housing Program included in the General Fund. In addition, the Authority is required by its HUD Annual contributions Contracts to adopt annual budgets for the Section 8 Programs included in the Special Revenue Funds. Annual budgets are not required for capital projects funds as their budgets are approved for the length of the project. Both annual and project length budgets require grantor approval.

Appropriations are authorized at the function level. Management may transfer budget authorizations between functions except that increases for administration and capital expenditures categories must be approved by HUD. All appropriations which are not used lapse at year end. Budgeted amounts are as originally adopted or as amended by the Board and approved by HUD.

10. Cash & Investments:

1. The Authority cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with an original maturity of three months or less when purchased to be cash equivalents.
2. Investments are stated at market value, except for U. S. Treasury Bills, which are reported at amortized cost. The Authority reports all money market investments having a remaining maturity at time of purchase of one year or less at amortized cost. Investment securities are normally held to mature at par value and adjustments are made to the investment portfolio to reflect increases/(decreases) in gains made.

BROCKTON HOUSING AUTHORITY
Brockton, Massachusetts

NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2015
(Continued)

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)

11. Compensation for Future Absences:

It is the Authority's policy to permit employees to accumulate earned but unused vacation benefits which will be paid to the employees upon separation from Authority service. The Authority's policy also allows for payment of 50% of his/her unused accumulated sick leave accrued on the date of his/her retirement, not to exceed \$15,000. These benefits have been accrued and recorded in each respective program.

12. Prepaid Charges:

Payments made to vendors for services that will benefit periods beyond December 30, 2015, are recorded as prepaid charges.

13. Inventories:

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consist primarily of maintenance materials and supplies held for consumption. The cost of these supplies is regarded as an expense at the time the items are consumed. Inventories are classified as prepaid charges on the Statement of Net Position.

14. Capital Assets:

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated market value on the date donated.

Capital assets are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the useful lives of the respective assets ranging as follows: buildings, 20-30 years; equipment, 7 years; automobiles, 5 years; and site improvements, 10 years. The costs of assets retired or otherwise disposed of and the related accumulated depreciation have been eliminated from the respective accounts. Gains or losses resulting from such dispositions are recognized in current income.

Capitalization Policy for the Authority is items purchased or betterment, not repairs, in excess of \$10,000.00 and a useful life of one (1) year will be capitalized. The cost of maintenance and repairs are charged to operations as incurred. Costs of major additions, improvements, and betterments are capitalized.

Interest cost is capitalized on proprietary fund capital assets. Interest is not capitalized on assets acquired or constructed with gifts and grants (contributed capital) that are restricted by the donor or grantor to acquisition of those assets to the extent that funds are available from such grants and gifts. No interest was capitalized during the audit period.

BROCKTON HOUSING AUTHORITY
Brockton, Massachusetts

NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2015
(Continued)

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)

15. Operating Revenue:

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for rents. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Subsidies received from HUD or other grantor agencies, for operating purposes, are recorded as operating revenue in the operating statement while capital grant funds are added to net position below the non-operating revenue and expense.

16. Pronouncements:

In fiscal year 2015, the Housing Authority implemented the following accounting standards issued by GASB:

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, is effective for periods beginning after June 15, 2015 and should be applied simultaneously with the provisions of Statement 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

GASB Statement No. 72, *Fair Value Measurement and Application*, is effective for periods beginning after June 15, 2015 with earlier application encouraged. This Statement should improve financial reporting by clarifying the definition of *fair value* for financial reporting purposes. This Statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The disclosures should be organized by type asset or liability reported at fair value. The Authority does not anticipate a material impact on the financial statements as a result of this pronouncement.

BROCKTON HOUSING AUTHORITY
Brockton, Massachusetts

NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2015
(Continued)

NOTE B - CASH AND CASH EQUIVALENTS:

All the deposits of the Brockton Housing Authority are either insured or collateralized by using the Dedicated Method whereby all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Authority's agents in these units' names. The Brockton Housing Authority has no policy regarding custodial credit risk for deposits.

At December 31, 2015, the Authority's deposits had a carrying amount of \$9,815,985 and bank balances of \$10,132,465. Of the bank balances held in various financial institutions, \$652,568 was covered by federal depository insurance. The Wells Fargo bond trust accounts and the Massachusetts Municipal Depository Trust accounts of \$2,899,173 are not subject to any losses due to the structure of the investments. The short-term Bank of America investments (considered cash equivalents) of \$1,304,314 are solely invested in U.S. T-bills and thus considered safe from risk. The amount not covered by FDIC at the Santander bank, \$5,276,410, is fully collateralized by a collateral pool held by the bank for all public deposits. At December 31, 2015, the Authority's petty cash funds totaled \$550.

Interest rate risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's typically limits its investment portfolio to maturities of 12 months or less. The Brockton Housing Authority has no specific policy regarding interest rate risk.

Credit risk - The Authority has no policy regarding credit risk. The Authority's investment in the Massachusetts Municipal Depository Trust Portfolio carried a credit rating of AAAM by Standard & Poor's as of December 31, 2015.

Custodial credit risk - For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Concentration of credit risk - The Authority places a 30% limit on the amount that the Authority may invest in MMDT which carried a credit rating of AAAM by Standard and Poor's. The Authority has no policy regarding credit risk.

Balances at December 31, 2015, were as follows:

| | |
|---|---------------------|
| Checking & money market accounts | \$ 5,949,241 |
| Wells Fargo CFFP Bond Trust accounts | 2,041,814 |
| BOA Short term investments (maturities < 90 days) | 967,572 |
| MMDT Investment Portfolio | 857,358 |
| Petty cash funds | <u>550</u> |
| | <u>\$ 9,816,535</u> |

Restricted Cash:

| | |
|--------------------------|---------------------|
| Tenant security deposits | \$ 8,123 |
| FSS Trust Deposits | 300,914 |
| HAP reserves | 12,119 |
| CFFP Bond Trust accounts | <u>2,041,814</u> |
| | <u>\$ 2,362,970</u> |

BROCKTON HOUSING AUTHORITY
Brockton, Massachusetts

NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2015
(Continued)

NOTE C - ACCOUNTS RECEIVABLE:

Accounts receivable at December 31, 2015, consisted of the following:

| | |
|--|-------------------|
| Tenants (net of allowance of \$62,186) | \$ 146,487 |
| A/R – HUD | 231 |
| A/R – SMAHC | 60,707 |
| A/R – Other government | 30,332 |
| A/R – PHA projects | 58,719 |
| A/R – City Grant | 49,822 |
| A/R – DHCD | 32,159 |
| A/R – Fraud (net of allowance of \$53,425) | 0 |
| A/R – Other | <u>25,631</u> |
| | <u>\$ 404,088</u> |

NOTE D - PREPAID CHARGES:

Prepaid charges at December 31, 2015, consisted of the following:

| | |
|-------------------|-------------------|
| Prepaid Insurance | \$ 139,674 |
| Inventory | <u>19,949</u> |
| | <u>\$ 159,623</u> |

NOTE E - CAPITAL ASSETS:

A summary of the changes in capital assets was as follows:

| | Beginning Balances | Increases | Transfers | Adjustments/ Decreases | Ending Balances |
|--|-----------------------|------------------|--------------------|---------------------------|----------------------|
| Enterprise Activities | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 2,479,924 | \$ - | \$ 126,000 | \$ - | \$ 2,605,924 |
| Construction in progress | 8,883,988 | 1,572,481 | (6,759,430) | - | 3,697,039 |
| Total capital assets not being depreciated | <u>11,363,912</u> | <u>1,572,481</u> | <u>(6,633,430)</u> | - | <u>6,302,963</u> |
| Buildings & Improvements | 132,580,388 | 517,177 | 6,555,420 | - | 139,652,985 |
| Furniture & equipment | 955,359 | 113,466 | 78,010 | - | 1,146,835 |
| Total capital assets being depreciated | <u>133,535,747</u> | <u>630,643</u> | <u>6,633,430</u> | - | <u>140,799,820</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings & Improvements | 91,699,459 | 3,481,064 | - | - | 95,180,523 |
| Furniture & equipment | 666,288 | 79,327 | - | - | 745,615 |
| Total accumulated depreciation | <u>92,365,747</u> | <u>3,560,391</u> | <u>-</u> | <u>-</u> | <u>95,926,138</u> |
| Total capital assets being depreciated | <u>41,170,000</u> | | | | <u>44,873,682</u> |
| Enterprise activity capital assets, net | <u>\$ 52,533,912</u> | | | | <u>\$ 51,176,645</u> |

| | |
|----------------------------------|----------------------|
| Balance at January 1, 2015 | \$ 52,533,912 |
| Additions – Operations | 541,994 |
| Additions – Capital Fund Program | 295,087 |
| Additions – State Programs | 1,366,043 |
| Depreciation expense | <u>(3,560,391)</u> |
| Balance at December 31, 2015 | <u>\$ 51,176,645</u> |

BROCKTON HOUSING AUTHORITY
Brockton, Massachusetts

NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2015
(Continued)

NOTE F - ACCOUNTS PAYABLE:

Accounts payable consisted of the following at December 31, 2015:

| | |
|-------------------------------------|-------------------|
| Vendors and contractors payable | \$ 452,286 |
| Tenant security deposits | 8,123 |
| PHA projects | 21,665 |
| Accounts payable – state government | <u>225,628</u> |
| | <u>\$ 707,702</u> |

NOTE G - ACCRUED LIABILITIES AND UNEARNED REVENUE:

Accrued liabilities and unearned revenue consisted of the following at December 31, 2015:

| | |
|--|---------------------|
| Accrued wages/payroll tax liability | \$ 93,355 |
| Accrued compensated absences – current portion | 240,202 |
| Unearned revenue | 213,970 |
| Accrued utilities | 732,658 |
| Current portion of long-term debt | 784,197 |
| Accrued interest payable | <u>145,691</u> |
| | <u>\$ 2,210,073</u> |

NOTE H - NON-CURRENT LIABILITIES:

Non-current liabilities consisted of the following at December 31, 2015:

| | |
|---|----------------------|
| Long-Term debt – net of current | \$ 8,358,680 |
| Capital lease obligation | 5,245,488 |
| Accrued compensated absences – non-current | 88,721 |
| FSS Escrow | 300,914 |
| OPEB (Other Post-Employment Benefits) liabilities | 10,205,319 |
| Net Pension Liability | <u>11,305,242</u> |
| | <u>\$ 35,504,364</u> |

| | Balance at 1/1/15 | Increases | Decreases | Balance at 12/31/15 | Current Portion of Balance |
|-----------------------------|----------------------|----------------------|---------------------|------------------------|-------------------------------|
| Compensated absences | \$ 293,058 | \$ 396,234 | \$ (360,369) | \$ 328,923 | \$ 240,202 |
| FSS escrows | 231,209 | 215,975 | (146,270) | 300,914 | - |
| Net Pension Liability | - | 11,305,242 | - | 11,305,242 | - |
| OPEB | <u>9,483,825</u> | <u>721,494</u> | <u>-</u> | <u>10,205,319</u> | <u>-</u> |
| Total long-term liabilities | <u>\$ 10,008,092</u> | <u>\$ 12,638,945</u> | <u>\$ (506,639)</u> | <u>\$ 22,140,398</u> | <u>\$ 240,202</u> |

BROCKTON HOUSING AUTHORITY
Brockton, Massachusetts

NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2015
(Continued)

NOTE I - NOTES PAYABLE:

As of December 31, 2015, the Brockton Housing Authority has \$14,388,365 of debt outstanding related to the operation of various federal, state, and local programs. These debts are the obligations associated with the following programs:

| | |
|----------------|----------------------|
| Public Housing | \$ 11,740,134 |
| State Housing | <u>2,648,231</u> |
| | <u>\$ 14,388,365</u> |

Mayor's Homeownership Initiative Program:

The Brockton Housing Authority obtained a loan from Rockland Trust in the amount of \$70,000 in prior periods. The balance of this loan is \$22,000 at December 31, 2015. The loan bears interest at a rate of 5.75% per annum. This loan was to assist the City of Brockton to develop property for a homeownership initiative. The debt is being used for assets held for sale and is therefore capital debt considered long-term.

24-C Conventional Housing – Debt Service

Wells Fargo Bonds - The Brockton Housing Authority was issued \$9,715,000 in bonds payable through trustee, Wells Fargo Bank. These funds were used for modernization of Crescent Court (24-4). The bond payments began on January 1, 2007 and final maturity is January 1, 2026 for a total of 20 years. The bonds were issued on January 12, 2006. The bond balance is \$6,270,000 as of December 31, 2015, with a current amount due of \$460,000.

The amortization of this loan is as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|---------------------|---------------------|---------------------|
| 2016 | \$ 460,000 | \$ 267,724 | \$ 727,724 |
| 2017 | 475,000 | 249,024 | 724,024 |
| 2018 | 495,000 | 228,696 | 723,696 |
| 2019 | 515,000 | 206,602 | 721,602 |
| 2020 | 540,000 | 183,523 | 723,523 |
| 2020-2024 | 3,085,000 | 463,412 | 3,548,412 |
| 2025-2029 | <u>700,000</u> | <u>33,587</u> | <u>733,587</u> |
| | <u>\$ 6,270,000</u> | <u>\$ 1,632,568</u> | <u>\$ 7,902,568</u> |

The Brockton Housing Authority entered into a Capital Lease Agreement with TD Equipment Finance, Inc. on December 21, 2012. These funds were used for capital improvements for energy efficiency upgrades including plumbing, electrical, thermostats, refrigerators, windows and door replacements. The lease payment amounts systematically increase from \$29,517.70 per month in 2013 to \$39,172.60 in 2027. This loan matures on December 21, 2027, with a balloon payment due of \$1,614,356.95. As of December 31, 2015, there had been \$5,470,134 expended on capital improvements. The remaining \$215,508 of loan proceeds was held in a restricted cash account by a third party as of December 31, 2015.

BROCKTON HOUSING AUTHORITY
Brockton, Massachusetts

NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2015
(Continued)

NOTE I - NOTES PAYABLE: (Cont'd)

The amortization of this loan is as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|---------------------|---------------------|---------------------|
| 2016 | \$ 224,646 | \$ 141,692 | \$ 366,338 |
| 2017 | 240,165 | 135,591 | 375,756 |
| 2018 | 256,352 | 129,053 | 385,405 |
| 2019 | 275,206 | 122,064 | 397,270 |
| 2020 | 294,751 | 114,562 | 409,313 |
| 2021-2025 | 1,781,734 | 441,476 | 2,223,210 |
| 2026-2027 | <u>2,397,280</u> | <u>106,040</u> | <u>2,503,320</u> |
| | \$ <u>5,470,134</u> | \$ <u>1,190,478</u> | \$ <u>6,660,612</u> |

Commonwealth of Massachusetts State Affordable Housing Program – Debt Service

North Easton Savings Bank Mortgage - The Brockton Housing Authority entered into a \$2,700,000 Commercial Mortgage to refinance all outstanding Supportive Housing & HOME program loans. Monthly payments began on November 1, 2014 and final maturity is October 1, 2034 for a total of 20 years utilizing twenty-five year amortization. The mortgage date was October 1, 2014 with a 3.375% interest rate that adjusts every 60 months to 275 basis points over Federal Home Loan Bank index rate as of the measurement date. The next measurement date is October 1, 2019. The loan balance is \$2,480,830 as of December 31, 2015, with a current amount due of \$78,998.

The amortization of this loan is as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|---------------------|---------------------|---------------------|
| 2016 | \$ 78,998 | \$ 81,040 | \$ 160,038 |
| 2017 | 80,209 | 79,829 | 160,038 |
| 2018 | 82,959 | 77,079 | 160,038 |
| 2019 | 85,802 | 74,236 | 160,038 |
| 2020 | 88,743 | 71,295 | 160,038 |
| 2021-2025 | 491,484 | 308,706 | 800,190 |
| 2026-2030 | 581,695 | 218,495 | 800,190 |
| 2031-2034 | <u>990,940</u> | <u>111,954</u> | <u>1,102,894</u> |
| | \$ <u>2,480,830</u> | \$ <u>1,022,634</u> | \$ <u>3,503,464</u> |

BROCKTON HOUSING AUTHORITY
Brockton, Massachusetts

NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2015
(Continued)

NOTE I - NOTES PAYABLE: (Cont'd)

North Easton Savings Bank Mortgage - 2-2 Sheppard Street:

The Brockton Housing Authority entered into an agreement with the North Easton Savings Bank for a commercial promissory note in the amount of \$155,541. The note bears an initial interest rate of 3.75% which may be increased or decreased beginning May 1, 2020 and on the like day of every 60 month interval thereafter. The Authority will make monthly payments of interest only in arrears beginning June 1, 2015 and continuing through May 1, 2016. Beginning June 1, 2016 the Authority will make 239 consecutive monthly payments based on an original amortization schedule of 240 months. The total outstanding balance was \$145,401 as of December 31, 2015, of which \$20,553 is considered current.

The amortization of this loan is as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------|-------------------|------------------|-------------------|
| 2016 | \$ 20,553 | \$ 5,880 | \$ 26,433 |
| 2017 | 5,087 | 5,258 | 10,345 |
| 2018 | 5,281 | 5,064 | 10,345 |
| 2019 | 5,482 | 4,863 | 10,345 |
| 2020 | 5,692 | 4,653 | 10,345 |
| 2021-2025 | 31,887 | 19,838 | 51,725 |
| 2026-2030 | 38,452 | 13,273 | 51,725 |
| Thereafter | <u>32,967</u> | <u>5,396</u> | <u>38,363</u> |
| | <u>\$ 145,401</u> | <u>\$ 64,225</u> | <u>\$ 209,626</u> |

Composition of debt is as follows:

| <u>Program</u> | <u>Current</u> | <u>Long-Term</u> | <u>Total</u> |
|----------------------------------|-------------------|----------------------|----------------------|
| 2-2 Sheppard Street | \$ 20,553 | \$ 124,848 | \$ 145,401 |
| Mayor's Homeownership Initiative | - | 22,000 | 22,000 |
| CFFP | 460,000 | 5,810,000 | 6,270,000 |
| Capital Lease Obligation - EPC | 224,646 | 5,245,488 | 5,470,134 |
| Affordable Housing Program | <u>78,998</u> | <u>2,401,832</u> | <u>2,480,830</u> |
| | <u>\$ 784,197</u> | <u>\$ 13,604,168</u> | <u>\$ 14,388,365</u> |

Changes in long-term and current debt obligations were as follows:

| | |
|--|----------------------|
| Balance at the beginning of the period | \$ 14,972,248 |
| New debt issued - Affordable Housing | 145,401 |
| Amortization - issuance costs | 36,238 |
| Principal payments | <u>(765,522)</u> |
| Balance at December 31, 2014 | <u>\$ 14,388,365</u> |

BROCKTON HOUSING AUTHORITY
Brockton, Massachusetts

NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2015
(Continued)

NOTE J - ECONOMIC DEPENDENCY:

Both the PHA Owned Housing Program and the Section 8 Program are economically dependent on annual contributions and grants from HUD. Both programs operate at a loss prior to receiving the contributions and grants.

NOTE K - EMPLOYEE RETIREMENT PLAN:

Plan Description

The Authority is a participant in the Contributory Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan that covers all employees of participating units except teachers, elected officials and those employees in service at the time of its establishment who elected not to become members. Eligible employees in the City who enter service on or after the date the System became operative for their classification may become members of the Retirement System on their own application. The Plan is administered by the Brockton Contributory Board.

Contributions

The City establishes contributions based on an actuarially determined contribution recommended by an independent actuary. The actuarially determined contribution is developed using the Entry Age Normal Actuarial Cost Method. For the sponsor fiscal year ended June 30, 2015, the City contributed \$19,332,315 to the plan.

Section 22D of MGL Chapter 32 outlines various requirements of a funding schedule that will amortize the unfunded actuarial liability and cover normal costs. The normal cost and unfunded actuarial liability are to be calculated in accordance with the individual entry-age-normal actuarial cost method. The contribution toward amortization of the unfunded actuarial liability may increase by up to 4½% each year.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|-------------------------------|---|
| Valuation Date | January 1, 2015 |
| Actuarial Cost Method | Entry Age Normal |
| Remaining Amortization Period | 30 years |
| Asset Valuation Method | Fair Value |
| Inflation | 3.0% |
| Cost of Living Adjustments | Assumed to increase annually by 3%, up to a max of \$360 |
| Investment Rate of Return | 8.0%, net of pension plan investment expense. This is based on an average inflation rate of 3.00% and a real rate of return of 5.00%. |

It is assumed that healthy mortality is represented by the RP-2000 Mortality Table projected generationally with Scale BB for males and females. Mortality for disabled members is represented by the RP-2000 Mortality Table set forward two years for all disabled members.

BROCKTON HOUSING AUTHORITY
Brockton, Massachusetts

NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2015
(Continued)

NOTE K - EMPLOYEE RETIREMENT PLAN: (Cont'd)

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that contributions will continue to follow the pattern of contributions observed over the last five years. During that period, the City contributed 100% of the cumulative recommended contribution level. Accordingly, the fiduciary net position was projected assuming that 100% of future recommended contribution levels will be contributed. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Had the fiduciary net position been projected to be depleted, a municipal bond rate of 3.73% would have been used in the development of the blended GASB discount rate after that point. The 3.73% rate is based on the S&P Municipal Bond 20 Year High Grade Rate Index.

Sensitivity Analysis

In accordance with GASB 68 regarding the disclosure of the sensitivity of the Net Pension Liability to changes in the discount rate, the table below presents the Net Pension Liability calculated using the discount rate of 8.00%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1.00% lower (7.00%) or 1.00% higher (9.00%) than the current rate.

| | <u>1.0% Decrease</u> <u>(7.00%)</u> | <u>Current Discount</u> <u>Rate (8.00%)</u> | <u>1.0% Increase</u> <u>(9.00%)</u> |
|-----------------------------|--|--|--|
| PERS' Net Pension Liability | \$ 14,892,535 | \$ 11,305,242 | \$ 8,245,775 |

Basis of Accounting

The underlying financial information used to prepare allocation schedules is based on System's combining financial statements. The System's combining financial statements for all plans are prepared using the accrual bases of accounting and are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) that apply to governmental accounting for fiduciary funds.

Use of Estimates in the Preparation of the Schedules

The preparation of the Schedules in conformity with GAAP requires management to make estimates and assumptions that affect certain amounts and disclosures. The City of Brockton accrues employer contributions using estimates based on historical data. Actual results could differ from those estimates.

Net Pension Liability

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Retirement System. Statement 68 became effective June 30, 2015 and includes requirements to record and report their proportionate share of the collective Net Pension Liability, Pension Expense, Deferred Inflows and Deferred Outflows of resources associated with pensions.

| | <u>Net Pension</u> <u>Liability as of</u> <u>6/30/14</u> | <u>Net Pension</u> <u>Liability as of</u> <u>6/30/15</u> | <u>Percent of</u> <u>Collective NPL</u> |
|------------------------------|--|--|--|
| Employer Proportionate Share | <u>\$ 10,040,392</u> | <u>\$ 11,305,242</u> | 6.192000% |

BROCKTON HOUSING AUTHORITY
Brockton, Massachusetts

NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2015
(Continued)

NOTE K - EMPLOYEE RETIREMENT PLAN: (Cont'd)

At June 30, 2015, the employer recorded a liability of \$11,305,243 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of December 31, 2014, and the Total Pension Liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of January 1, 2015. At June 30, 2015, the employer's proportion was 6.19%.

Changes in actuarial assumptions and methods: There were no changes in assumptions or other inputs that affected the measurement of the Total Pension Liability.

Changes in benefit terms: There have been no changes in benefit terms since the previous measurement date.

Changes in proportionate share: There were no changes between the measurement date of the collective Net Pension Liability and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL.

Pension Expense

At December 31, 2015, the employer recognized a Pension Expense of \$925,996 for its proportionate share of the Plan's Pension Expense.

Recognition of Beginning Deferred Outflow - GASB 71

At June 30, 2015, the employer recognized a beginning deferred outflow of resources for the employers FY2015 contributions of \$3,080,613.

Deferred Inflows and Outflows

At June 30, 2015, the employer reported its proportionate share of the System's deferred outflows of resources and deferred inflows of resources related to the System from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Difference between actual and expected experience | \$ - | \$ - |
| Changes in assumptions | 1,074,444 | - |
| Difference between projected and actual earnings on pension plan investments | 811,733 | - |
| Changes in proportion differences between employer contributions and proportionate share of contributions | - | - |
| Difference between actual and expected contributions | - | - |
| Contributions paid subsequent to the measurement date - FY 2015 | 1,194,436 | - |
| Total | \$ 3,080,613 | \$ - |

BROCKTON HOUSING AUTHORITY
Brockton, Massachusetts

NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2015
(Continued)

NOTE K - EMPLOYEE RETIREMENT PLAN: (Cont'd)

*Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in Pension Expense as follows:

| Year Ended June 30: | Deferred Outflows of Resources | Deferred Inflows of Resources | Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense |
|---------------------|-----------------------------------|----------------------------------|---|
| 2016 | \$ 350,264 | \$ - | \$ 350,264 |
| 2017 | \$ 350,264 | \$ - | \$ 350,264 |
| 2018 | \$ 350,264 | \$ - | \$ 350,264 |
| 2019 | \$ 350,264 | \$ - | \$ 350,264 |
| 2020 | \$ 350,264 | \$ - | \$ 350,264 |
| Thereafter | \$ 134,857 | \$ - | \$ 134,857 |

In addition to the pension information listed above, the Authority also participates in Other Post-Employment Benefits regarding retiree and survivorship Health care benefits through the Commonwealth of Massachusetts Group Insurance Commission as described in Note O.

NOTE L - IMPAIRMENT OF CAPITAL ASSETS:

In accordance with financial reporting standards issued by the Government Accounting Standards Board's, Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* requires certain note disclosures During the fiscal year ended December 31, 2015, Brockton Housing Authority had the following disclosures related to asset impairment:

1. There were no unexpended proceeds in the Statement of Net Position as of December 31, 2015.
2. There were no permanent impairments experienced by the Brockton Housing Authority that required material adjustments to the Statement of Net Position at December 31, 2015.

NOTE M - CONTINGENCIES:

The entity is subject to possible examinations made by federal regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the entity in the current and prior years. These examinations may result in required refunds by the entity to federal grantors and/or program beneficiaries.

There are currently lawsuits ongoing; however, there are no amounts which are deemed as contingent liabilities which should be disclosed or accrued in the financial statements. Our search for contingent liabilities revealed no liabilities that required disclosure against the Brockton Housing Authority as of December 31, 2015.

BROCKTON HOUSING AUTHORITY
Brockton, Massachusetts

NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2015
(Continued)

NOTE N - RELATED PARTY TRANSACTIONS:

The Southeastern Massachusetts Affordable Housing Corporation (SMAHC) is considered to be a related party of the Housing Authority but not a component unit. There are some board members from the Housing Authority serving on each Board, but it does not qualify with financial control, or board control. The majority of the Board members on SMAHC are from outside the Authority. During the current audit period, there was no balance due from SMAHC for expenditures in excess of reimbursements made by the Housing Authority on behalf of SMAHC as of December 31, 2015.

NOTE O - SPECIAL ITEM - OPEB LIABILITY:

The Housing Authority formally approved and adopted an OPEB plan and evaluation effective January 1, 2014. The Plan adopted and implemented GASB 45 ("Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions") effective for the fiscal year ending December 31, 2014. As part of this implementation, the Authority chose to recognize the Actuarial Accrued Liability for past service in the prior year. Under GASB 45, this amount may be amortized over a period not to exceed thirty (30) years. The Unfunded Actuarial Accrued Liability at transition was amortized over a 30 year period and a flat dollar amortization of the Unfunded Actuarial Accrued Liability at transition. This approach yields an amortization charge of \$521,342. Additionally the Authority must recognize a "normal cost" which represents the annual accrual of benefits for current active employees toward their ultimate postemployment benefits. The normal cost for the 2015 fiscal year is \$351,198. The combined amortization charge and normal cost represent the Annual Required Contribution ("ARC") for the plan for the 2015 fiscal year.

As of January 1, 2014, the most recent valuation date, the plan was 0.00% funded. The actuarial liability for benefits was \$9,834,484, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,834,484. The covered payroll (annual payroll of active employees covered by the plan) was \$4,918,883 and the ratio of the UAAL to the covered payroll was 190.6%. Activity for the fiscal year ended December 31, 2015 was as follows:

| | |
|---|-----------------------------|
| Special Item - Recognition of Liability as of January 1, 2014 | \$ 9,375,671 |
| OPEB Annual Cost - Calendar 2014 | 355,535 |
| Less: Retiree & Survivor Payments to Group Insurance Commission | <u>(247,381)</u> |
| OPEB Liability as of December 31, 2014 | 9,483,825 |
| 2015 ARC Estimate | 896,615 |
| FY 2015 Payments | <u>(175,121)</u> |
| OPEB Liability as of December 31, 2015 | <u><u>\$ 10,205,319</u></u> |

| Schedule of Funding Progress | | | | | | |
|--------------------------------|---------------------------|--|---------------------------------|-----------------------|---------------------------|---------------------------------|
| | | Actuarial Accrued Liability (AAL) | | | | UAAL as a % of |
| Actuarial Valuation Date | Value of Assets (a) | Projected Unit Credit (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | Covered Payroll ((b-a)/c) |
| 1/1/2014 | - | 9,375,671 | 9,375,671 | 0% | 4,918,883 | 191% |

BROCKTON HOUSING AUTHORITY
Brockton, Massachusetts

NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2015
(Continued)

NOTE P - RISK MANAGEMENT:

The Authority is exposed to all common perils associated with the ownership and rental of real estate properties. A risk management program has been established to minimize loss occurrence and to transfer risk through various levels of insurance. Property, casualty, employee dishonesty and public official's liability forms are used to cover the respective perils.

NOTE Q - DEFICIT FINANCIAL POSITION:

Due to the recognition of the Net Pension and OPEB Liabilities detailed in Notes K & O above, the Authority's financial position is a deficit of \$12,626,848 comprised of the following:

| Program Area | Deficit |
|---|------------------------|
| Federal Public Housing Program | \$ (5,139,261) |
| Housing Choice Voucher Program | (1,180,924) |
| State of Massachusetts Program | (2,815,052) |
| Central Office Cost Center | <u>(3,491,611)</u> |
| Total Unrestricted Net Position Deficit | \$ <u>(12,626,848)</u> |

NOTE R - SUBSEQUENT EVENTS:

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about the conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Authority through May 12, 2016 and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

NOTE S - RESTRICTED NET POSITION:

As of December 31, 2015, Restricted Net Position consisted of the following:

| | |
|--------------------------|---------------------|
| HAP Equity | \$ 12,119 |
| CFFP Bond Trust Accounts | <u>2,041,814</u> |
| | <u>\$ 2,053,933</u> |

NOTE T - SUPPLEMENTAL INFORMATION:

The supplemental information has been included in order to show the financial statements of the Housing Authority on the GAAP basis of accounting but in the format of the HUD Handbook 7476.3, *Audit Guide*. This is due to the fact that some supplemental information is reviewed by the field office and provides greater detail concerning the operations of the Authority.

BROCKTON HOUSING AUTHORITY
Brockton, Massachusetts

NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2015
(Continued)

NOTE U - PRIOR PERIOD ADJUSTMENT:

There was a prior period adjustment in the amount of \$8,493,070 as a result of the implementation of GASB 68, Accounting and Financial Reporting for Pensions. As a result of this implementation there was a \$11,305,242 Net Pension Liability recorded as a long term liability, along with \$3,080,613 as Deferred Outflows.

BROCKTON HOUSING AUTHORITY
Brockton, Massachusetts

SINGLE AUDIT SECTION

YEAR ENDED DECEMBER 31, 2015



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Brockton Housing Authority
Brockton, Massachusetts 02403

Boston Regional Office
Public Housing Division
10 Causeway Street
Boston, Massachusetts 02222-1092

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Brockton Housing Authority, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Brockton Housing Authority's basic financial statements, and have issued our report thereon dated May 12, 2016.

Internal Control Over Financial Reporting

Management of the Brockton Housing Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered the Housing Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Brockton Housing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rector, Reeder & Lofton, PC
Certified Public Accountants

Lawrenceville, Georgia

May 12, 2016



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Brockton Housing Authority
Brockton, Massachusetts 02403

Boston Regional Office
Public Housing Division
10 Causeway Street
Boston, Massachusetts 02222-1092

Report on Compliance for Each Major Federal Program

We have audited the Brockton Housing Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Brockton Housing Authority's major federal programs for the year ended December 31, 2015. The Brockton Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Brockton Housing Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Brockton Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Brockton Housing Authority's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, the Brockton Housing Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

Report on Internal Control Over Compliance

The management of the Brockton Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Brockton Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Rector, Reeder & Lofton, PC
Certified Public Accountants

Lawrenceville, Georgia
May 12, 2016

BROCKTON HOUSING AUTHORITY
Brockton, Massachusetts

STATUS OF PRIOR AUDIT FINDINGS

The audit report from December 31, 2014, contained one formal audit finding:

Finding 2014-001 Control Deficiencies related to HCVP Fraud Repayment
Significant Deficiency

CFDA No. 14.871

Our review of the controls over Tenant Fraud Repayment revealed the following deficiencies:

- A/R – Fraud balances are not being reported on the General Ledger or being included in the unaudited Financial Data Schedule submitted to HUD.
- A review of the listing provided did not have program totals or any payments readily identified and therefore, we were unable to determine the amounts outstanding as of December 31, 2015.
- From the listing, we were able to identify 23 clients that still had outstanding balances from the \$103,069 initial repayment agreements established with the participants.
- From this listing, based upon the monthly payment amounts, some participants were identified that would take significantly longer to repay their fraud amounts than originally agreed to.

Current Year Status:

The Fraud Receivables process has been improved from FY 2014. The balances are now being tracked on the general ledger and a separate file has been created to track each individual balance. We examined twenty percent of the open repayment agreements and noted no material instances of a weakness in internal control, consequently, ***this finding is considered cleared.***

BROCKTON HOUSING AUTHORITY
Brockton, Massachusetts

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results:

Financial Statements

| | |
|---|----------------------|
| Type of report issued on the financial statements: | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | No |
| Significant Deficiency (ies) identified not considered to be material weaknesses? | None Reported |
| Noncompliance material to the financial statements noted? | No |

Federal Awards

| | |
|--|----------------------|
| Internal controls over major programs: | |
| Material weakness(es) identified? | No |
| Significant Deficiency (ies) identified not considered to be material weaknesses? | None reported |
| Type of report issued on the compliance for major programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in Accordance with the Uniform Guidance? | No |

Identification of major programs:

| | |
|---------------|---|
| -CFDA #14.850 | Low Rent Public Housing |
| -CFDA #14.871 | Housing Choice Voucher Program/Massachusetts Rental Voucher Program |
| -CFDA #14.872 | Capital Fund Program |

| | |
|--|------------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | \$851,136 |
| Did the Authority qualify as a low-risk auditee? | No |

Section II – Financial Statement Findings:

NONE REPORTED

Section III – Federal Award Findings and Questioned Costs:

NONE REPORTED

BROCKTON HOUSING AUTHORITY
Brockton, Massachusetts

SUPPLEMENTAL INFORMATION

YEAR ENDED DECEMBER 31, 2015

| Central Office Cost Center | TOTAL |
|-------------------------------------|----------------------|
| \$ 731,635 | \$ 7,453,565 |
| 0 | 0 |
| 0 | 2,354,847 |
| 0 | 0 |
| 0 | 8,123 |
| <u>731,635</u> | <u>9,816,535</u> |
| 0 | 58,719 |
| 0 | 231 |
| 0 | 30,332 |
| 78,578 | 168,319 |
| 0 | 208,673 |
| 0 | (62,186) |
| 0 | 53,425 |
| 0 | (53,425) |
| 0 | 0 |
| <u>78,578</u> | <u>404,088</u> |
| 0 | 0 |
| 0 | 0 |
| 452 | 139,674 |
| 0 | 19,949 |
| 0 | 0 |
| 0 | 0 |
| <u>810,665</u> | <u>10,380,246</u> |
| 116,000 | 2,605,924 |
| 0 | 134,680,748 |
| 143,803 | 1,146,835 |
| 0 | 4,972,237 |
| (103,597) | (95,926,138) |
| 418,202 | 3,697,039 |
| <u>574,408</u> | <u>51,176,645</u> |
| 0 | 0 |
| 0 | 0 |
| <u>574,408</u> | <u>51,176,645</u> |
| 705,152 | 3,080,613 |
| <u>\$ 2,090,225</u> | <u>\$ 64,637,504</u> |

| Central Office Cost Center | Total |
|-------------------------------------|----------------------|
| \$ 0 | \$ 0 |
| 30,405 | 452,286 |
| 0 | 0 |
| 15,321 | 93,355 |
| 58,573 | 240,202 |
| 0 | 145,691 |
| 0 | 0 |
| 0 | 21,665 |
| 0 | 225,628 |
| 0 | 8,123 |
| 0 | 213,970 |
| 0 | 784,197 |
| 0 | 0 |
| 0 | 0 |
| 660 | 732,658 |
| 0 | 0 |
| <u>104,959</u> | <u>2,917,775</u> |
| 0 | 13,604,168 |
| 0 | 0 |
| 23,276 | 88,721 |
| 0 | 300,914 |
| <u>4,879,193</u> | <u>21,510,561</u> |
| <u>4,902,469</u> | <u>35,504,364</u> |
| <u>5,007,428</u> | <u>38,422,139</u> |
| <u>0</u> | <u>0</u> |
| 574,408 | 36,788,280 |
| 0 | 2,053,933 |
| <u>(3,491,611)</u> | <u>(12,626,848)</u> |
| <u>(2,917,203)</u> | <u>26,215,365</u> |
| <u>\$ 2,090,225</u> | <u>\$ 64,637,504</u> |

| Central Office Cost Center | Subtotal | Elimination | TOTAL |
|-------------------------------------|---------------|----------------|---------------|
| \$ 0 | \$ 8,258,520 | \$ 0 | \$ 8,258,520 |
| 0 | 35,820 | 0 | 35,820 |
| 0 | 8,294,340 | 0 | 8,294,340 |
| 0 | 28,076,111 | 0 | 28,076,111 |
| 0 | 295,087 | 0 | 295,087 |
| 1,761,795 | 1,761,795 | (1,761,795) | 0 |
| 190,315 | 190,315 | (190,315) | 0 |
| 144,110 | 144,110 | (144,110) | 0 |
| 0 | 0 | 0 | 0 |
| 0 | 1,654,246 | 0 | 1,654,246 |
| 0 | 5,694 | 0 | 5,694 |
| 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 |
| 0 | 29,497 | 0 | 29,497 |
| 139,974 | 5,966,314 | 0 | 5,966,314 |
| 0 | 53,277 | 0 | 53,277 |
| 0 | 0 | 0 | 0 |
| \$ 2,236,194 | \$ 46,470,786 | \$ (2,096,220) | \$ 44,374,566 |
| \$ 979,929 | \$ 2,821,589 | \$ 0 | \$ 2,821,589 |
| 5,971 | 41,100 | 0 | 41,100 |
| 0 | 1,761,795 | (1,761,795) | 0 |
| 0 | 144,110 | (144,110) | 0 |
| 0 | 0 | 0 | 0 |
| 758,806 | 2,036,285 | 0 | 2,036,285 |
| 323,451 | 863,318 | 0 | 863,318 |
| 1,742 | 20,288 | 0 | 20,288 |
| 14,534 | 24,985 | 0 | 24,985 |
| 0 | 0 | 0 | 0 |
| 2,084,433 | 7,713,470 | (1,905,905) | 5,807,565 |
| 0 | 190,315 | (190,315) | 0 |
| 0 | 2,737 | 0 | 2,737 |
| 0 | 0 | 0 | 0 |
| 0 | 1,897 | 0 | 1,897 |
| 0 | 318,322 | 0 | 318,322 |
| 0 | 322,956 | 0 | 322,956 |
| 1,459 | 2,301,378 | 0 | 2,301,378 |
| 6,181 | 2,555,814 | 0 | 2,555,814 |
| 164 | 554,954 | 0 | 554,954 |
| 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 |
| 7,804 | 5,412,146 | 0 | 5,412,146 |

| Central Office Cost Center | Subtotal | Elimination | TOTAL |
|-------------------------------------|------------|-------------|------------|
| 5,660 | 1,467,393 | 0 | 1,467,393 |
| 2,827 | 519,269 | 0 | 519,269 |
| 3,663 | 1,072,637 | 0 | 1,072,637 |
| 690 | 290,392 | 0 | 290,392 |
| 780 | 51,049 | 0 | 51,049 |
| 102 | 125,645 | 0 | 125,645 |
| 445 | 109,484 | 0 | 109,484 |
| 66 | 126,313 | 0 | 126,313 |
| 0 | 476,234 | 0 | 476,234 |
| 1,125 | 89,587 | 0 | 89,587 |
| 292 | 234,347 | 0 | 234,347 |
| 4,135 | 312,951 | 0 | 312,951 |
| 0 | 0 | 0 | 0 |
| 2,309 | 681,558 | 0 | 681,558 |
| 3,847 | 60,421 | 0 | 60,421 |
| 25,941 | 5,617,280 | 0 | 5,617,280 |
| 4,732 | 24,940 | 0 | 24,940 |
| 3,085 | 17,768 | 0 | 17,768 |
| 27,748 | 518,505 | 0 | 518,505 |
| 0 | 9,130 | 0 | 9,130 |
| 35,565 | 570,343 | 0 | 570,343 |
| 775 | 217,960 | 0 | 217,960 |
| 217 | 67,145 | 0 | 67,145 |
| 42,105 | 185,492 | 0 | 185,492 |
| 1,971 | 46,652 | 0 | 46,652 |
| 45,068 | 517,249 | 0 | 517,249 |
| 0 | 81,344 | 0 | 81,344 |
| 103,261 | 396,234 | 0 | 396,234 |
| 0 | 13,995 | 0 | 13,995 |
| 0 | 59,553 | 0 | 59,553 |
| 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 |
| 103,261 | 551,126 | 0 | 551,126 |
| 0 | 358,785 | 0 | 358,785 |
| 0 | 148,100 | 0 | 148,100 |
| 0 | 0 | 0 | 0 |
| 0 | 506,885 | 0 | 506,885 |
| 2,302,072 | 21,401,770 | (2,096,220) | 19,305,550 |
| (65,878) | 25,069,016 | 0 | 25,069,016 |

| Central Office Cost Center | Subtotal | Elimination | TOTAL |
|-------------------------------------|-----------------------|-----------------------|-----------------------|
| 13,127 | 205,329 | 0 | 205,329 |
| 0 | 0 | 0 | 0 |
| 0 | 18,103,664 | 0 | 18,103,664 |
| 0 | 4,746,360 | 0 | 4,746,360 |
| <u>22,084</u> | <u>3,560,391</u> | <u>0</u> | <u>3,560,391</u> |
| <u>35,211</u> | <u>26,615,744</u> | <u>0</u> | <u>26,615,744</u> |
| \$ <u>2,337,283</u> | \$ <u>48,017,514</u> | \$ <u>(2,096,220)</u> | \$ <u>45,921,294</u> |
| \$ <u>(101,089)</u> | \$ <u>(1,546,728)</u> | \$ <u>0</u> | \$ <u>(1,546,728)</u> |
| 0 | 1,005,754 | 0 | 1,005,754 |
| 0 | (1,005,754) | 0 | (1,005,754) |
| 0 | 300,000 | 0 | 300,000 |
| 0 | (300,000) | 0 | (300,000) |
| (1,944,064) | (8,493,070) | 0 | (8,493,070) |
| <u>(872,050)</u> | <u>36,255,163</u> | <u>0</u> | <u>36,255,163</u> |
| \$ <u>(2,917,203)</u> | \$ <u>26,215,365</u> | \$ <u>0</u> | \$ <u>26,215,365</u> |
| - | (1,168,745) | - | (1,168,745) |
| - | 12,119 | - | 12,119 |
| - | 49,634 | - | 49,634 |
| - | 48,329 | - | 48,329 |

BROCKTON HOUSING AUTHORITY
Brockton, Massachusetts

FINANCIAL DATA SUBMISSION SUMMARY
NET POSITION ACCOUNTS - AMPs
December 31, 2015

| <u>Account Description</u> | <u>MA 024-01</u> | <u>MA 024-02</u> | <u>MA 024-03</u> | <u>TOTAL</u> |
|--|----------------------|----------------------|------------------|----------------------|
| ASSETS AND DEFERRED OUTFLOWS: | | | | |
| CURRENT ASSETS: | | | | |
| Cash: | | | | |
| Cash - unrestricted | \$ 1,237,438 | \$ 2,264,868 | \$ 0 | \$ 3,502,306 |
| Cash - restricted for modernization | 0 | 0 | 0 | 0 |
| Cash - restricted | 2,080,285 | 0 | 0 | 2,080,285 |
| Cash - restricted for payment of current liabilities | 0 | 0 | 0 | 0 |
| Cash - tenant security deposits | 0 | 0 | 0 | 0 |
| Total Cash | <u>3,317,723</u> | <u>2,264,868</u> | <u>0</u> | <u>5,582,591</u> |
| Accounts and notes receivables: | | | | |
| Accounts receivable - HUD | 0 | 0 | 0 | 0 |
| Accounts receivable - other government | 0 | 0 | 0 | 0 |
| Accounts receivable - miscellaneous | 0 | 0 | 0 | 0 |
| Accounts receivable - tenants rents | 92,581 | 58,550 | 0 | 151,131 |
| Allowance for doubtful accounts-tenants | (16,619) | (36,564) | 0 | (53,183) |
| Allowance for doubtful accounts-other | 0 | 0 | 0 | 0 |
| Notes Receivable - current | 0 | 0 | 0 | 0 |
| Accrued interest receivable | 0 | 0 | 0 | 0 |
| Total receivables - net | <u>75,962</u> | <u>21,986</u> | <u>0</u> | <u>97,948</u> |
| Current investments: | | | | |
| Investments - unrestricted | 0 | 0 | 0 | 0 |
| Investments - restricted | 0 | 0 | 0 | 0 |
| Prepaid expenses and other assets | 60,571 | 19,074 | 0 | 79,645 |
| Inventories | 0 | 0 | 0 | 0 |
| Allowance for obsolete inventories | 0 | 0 | 0 | 0 |
| Interprogram due from | 0 | 0 | 0 | 0 |
| TOTAL CURRENT ASSETS | <u>3,454,256</u> | <u>2,305,928</u> | <u>0</u> | <u>5,760,184</u> |
| NONCURRENT ASSETS: | | | | |
| Capital Assets: | | | | |
| Land | 132,518 | 1,038,569 | 0 | 1,171,087 |
| Buildings | 43,455,126 | 55,320,763 | 0 | 98,775,889 |
| Furniture & equipment | 136,281 | 518,423 | 0 | 654,704 |
| Improvements | 0 | 4,972,237 | 0 | 4,972,237 |
| Construction in Progress | 1,059,627 | 779,886 | 0 | 1,839,513 |
| Accumulated depreciation | (23,987,835) | (45,636,829) | 0 | (69,624,664) |
| Total capital assets - net | <u>20,795,717</u> | <u>16,993,049</u> | <u>0</u> | <u>37,788,766</u> |
| Notes receivable - noncurrent | 0 | 0 | 0 | 0 |
| Other assets | 0 | 0 | 0 | 0 |
| TOTAL NONCURRENT ASSETS | <u>20,795,717</u> | <u>16,993,049</u> | <u>0</u> | <u>37,788,766</u> |
| Deferred Outflow of Resources | <u>345,463</u> | <u>975,813</u> | <u>0</u> | <u>1,321,276</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS | \$ 24,595,436 | \$ 20,274,790 | \$ 0 | \$ 44,870,226 |

BROCKTON HOUSING AUTHORITY
Brockton, Massachusetts

FINANCIAL DATA SUBMISSION SUMMARY
NET POSITION ACCOUNTS - AMPs
December 31, 2015

| <u>Account Description</u> | <u>MA 024-01</u> | <u>MA 024-02</u> | <u>MA 024-03</u> | <u>TOTAL</u> |
|---|----------------------|----------------------|------------------|----------------------|
| LIABILITIES, DEFERRED INFLOWS AND NET POSITION: | | | | |
| LIABILITIES: | | | | |
| CURRENT LIABILITIES: | | | | |
| Cash overdraft | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Accounts payable < 90 days | 48,955 | 118,253 | 0 | 167,208 |
| Accounts payable > 90 days Past Due | 0 | 0 | 0 | 0 |
| Accrued salaries/payroll withholding | 8,326 | 22,926 | 0 | 31,252 |
| Accrued compensated absences | 24,801 | 68,606 | 0 | 93,407 |
| Accrued interest payable | 135,152 | 3,289 | 0 | 138,441 |
| Accounts payable - HUD PHA programs | 0 | 0 | 0 | 0 |
| Accounts payable - other gov. | 0 | 0 | 0 | 0 |
| Tenant security deposits | 0 | 0 | 0 | 0 |
| Unearned revenue | 11,534 | 24,206 | 0 | 35,740 |
| Current portion of L-T debt - capital projects | 500,436 | 184,210 | 0 | 684,646 |
| Other current liabilities | 0 | 0 | 0 | 0 |
| Accrued liabilities other | 145,196 | 477,445 | 0 | 622,641 |
| Interprogram (due to) | 0 | 0 | 0 | 0 |
| TOTAL CURRENT LIABILITIES | 874,400 | 898,935 | 0 | 1,773,335 |
| NONCURRENT LIABILITIES: | | | | |
| Long-term debt, net of current - capital projects | 6,754,260 | 4,301,228 | 0 | 11,055,488 |
| Accrued comp. absences - long term | 8,379 | 23,282 | 0 | 31,661 |
| Loan liability - non current | 0 | 0 | 0 | 0 |
| Noncurrent liabilities - other | 38,471 | 0 | 0 | 38,471 |
| Accrued pension and OPEB liabilities | 2,479,171 | 6,540,915 | 0 | 9,020,086 |
| TOTAL NONCURRENT LIABILITIES | 9,280,281 | 10,865,425 | 0 | 20,145,706 |
| TOTAL LIABILITIES | 10,154,681 | 11,764,360 | 0 | 21,919,041 |
| DEFERRED INFLOWS OF RESOURCES | 0 | 0 | 0 | 0 |
| NET POSITION: | | | | |
| Net Investment in Capital Assets | 13,541,021 | 12,507,611 | 0 | 26,048,632 |
| Restricted | 2,041,814 | 0 | 0 | 2,041,814 |
| Unrestricted | (1,142,080) | (3,997,181) | 0 | (5,139,261) |
| TOTAL NET POSITION | 14,440,755 | 8,510,430 | 0 | 22,951,185 |
| TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION | \$ 24,595,436 | \$ 20,274,790 | \$ 0 | \$ 44,870,226 |

BROCKTON HOUSING AUTHORITY
Brockton, Massachusetts

FINANCIAL DATA SUBMISSION SUMMARY
REVENUES, EXPENSES, AND CHANGES IN
NET POSITION ACCOUNTS - COMBINED SCHEDULE - AMP's
FOR THE YEAR ENDED DECEMBER 31, 2015

| <u>Account Description</u> | <u>MA 024-01</u> | <u>MA 024-02</u> | <u>MA 024-03</u> | <u>TOTAL</u> |
|-------------------------------------|----------------------------|-----------------------------|--------------------|-----------------------------|
| REVENUES: | | | | |
| Net tenant rental revenue | \$ 1,448,927 | \$ 4,685,679 | \$ 0 | \$ 6,134,606 |
| Tenant revenue - other | <u>4,275</u> | <u>31,545</u> | <u>0</u> | <u>35,820</u> |
| Total tenant revenue | 1,453,202 | 4,717,224 | 0 | 6,170,426 |
| HUD PHA grants - operating | 2,652,033 | 4,945,970 | 0 | 7,598,003 |
| HUD PHA grants - capital | 0 | 295,087 | 0 | 295,087 |
| Management fee | 0 | 0 | 0 | 0 |
| Asset management fee | 0 | 0 | 0 | 0 |
| Bookkeeping fee | 0 | 0 | 0 | 0 |
| Front line service fee | 0 | 0 | 0 | 0 |
| Other government grants | 0 | 0 | 0 | 0 |
| Investment income - unrestricted | 736 | 1,506 | 0 | 2,242 |
| Mortgage interest income | 0 | 0 | 0 | 0 |
| Fraud income | 0 | 0 | 0 | 0 |
| Other revenue | 26,422 | 590,004 | 0 | 616,426 |
| Investment income - restricted | 53,277 | 0 | 0 | 53,277 |
| Gain/(loss) on disposition | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| TOTAL REVENUES | \$ <u>4,185,670</u> | \$ <u>10,549,791</u> | \$ <u>0</u> | \$ <u>14,735,461</u> |
| EXPENSES: | | | | |
| Administrative | | | | |
| Administrative salaries | \$ 160,695 | \$ 402,919 | \$ 0 | \$ 563,614 |
| Auditing fees | 5,971 | 5,971 | 0 | 11,942 |
| Management fees | 272,611 | 1,307,800 | 0 | 1,580,411 |
| Bookkeeping fees | 29,143 | 114,967 | 0 | 144,110 |
| Advertising & marketing | 0 | 0 | 0 | 0 |
| Employee benefits - administrative | 115,758 | 292,058 | 0 | 407,816 |
| Office expense | 54,466 | 162,554 | 0 | 217,020 |
| Legal expense | 3,668 | 4,796 | 0 | 8,464 |
| Travel expense | 1,709 | 5,841 | 0 | 7,550 |
| Other operating - administrative | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Administrative Expense | <u>644,021</u> | <u>2,296,906</u> | <u>0</u> | <u>2,940,927</u> |
| Asset management fee | <u>37,025</u> | <u>153,290</u> | <u>0</u> | <u>190,315</u> |
| Tenant services | | | | |
| Tenant services - salaries | 0 | 2,737 | 0 | 2,737 |
| Relocation | 0 | 0 | 0 | 0 |
| Employee benefits - tenant services | 0 | 1,897 | 0 | 1,897 |
| Other tenant services | <u>4,843</u> | <u>312,657</u> | <u>0</u> | <u>317,500</u> |
| Total Tenant Services | <u>4,843</u> | <u>317,291</u> | <u>0</u> | <u>322,134</u> |

BROCKTON HOUSING AUTHORITY
Brockton, Massachusetts

FINANCIAL DATA SUBMISSION SUMMARY
REVENUES, EXPENSES, AND CHANGES IN
NET POSITION ACCOUNTS - COMBINED SCHEDULE - AMP's
FOR THE YEAR ENDED DECEMBER 31, 2015

| <u>Account Description</u> | <u>MA 024-01</u> | <u>MA 024-02</u> | <u>MA 024-03</u> | <u>TOTAL</u> |
|--|------------------|------------------|------------------|------------------|
| Utilities | | | | |
| Water | 513,456 | 1,417,826 | 0 | 1,931,282 |
| Electricity | 370,575 | 1,884,624 | 0 | 2,255,199 |
| Gas | 219,815 | 193,771 | 0 | 413,586 |
| Labor | 0 | 0 | 0 | 0 |
| Sewer | 0 | 0 | 0 | 0 |
| Other utilities | 0 | 0 | 0 | 0 |
| Employee benefits - utilities | 0 | 0 | 0 | 0 |
| Total Utilities Expense | <u>1,103,846</u> | <u>3,496,221</u> | <u>0</u> | <u>4,600,067</u> |
| Ordinary Maintenance & Operation | | | | |
| Labor | 323,690 | 886,976 | 0 | 1,210,666 |
| Materials | 111,220 | 295,579 | 0 | 406,799 |
| Employee benefit contributions | 233,170 | 642,832 | 0 | 876,002 |
| Garbage & trash removal contracts | 90,667 | 146,479 | 0 | 237,146 |
| Heating & cooling contracts | 10,075 | 37,057 | 0 | 47,132 |
| Snow Removal contracts | 82,220 | 20,334 | 0 | 102,554 |
| Elevator contracts | 0 | 98,979 | 0 | 98,979 |
| Landscape & grounds contracts | 40,576 | 35,973 | 0 | 76,549 |
| Unit turnaround contracts | 128,052 | 338,409 | 0 | 466,461 |
| Electrical contracts | 18,913 | 54,045 | 0 | 72,958 |
| Plumbing contracts | 88,984 | 89,631 | 0 | 178,615 |
| Extermination contracts | 41,798 | 228,269 | 0 | 270,067 |
| Janitorial contracts | 0 | 0 | 0 | 0 |
| Routine maintenance contracts | 46,005 | 556,471 | 0 | 602,476 |
| Contract costs - other | <u>18,949</u> | <u>22,049</u> | <u>0</u> | <u>40,998</u> |
| Total Ordinary Maintenance & Operation | <u>1,234,319</u> | <u>3,453,083</u> | <u>0</u> | <u>4,687,402</u> |
| Protective services | | | | |
| Protective services - salaries | 4,030 | 16,178 | 0 | 20,208 |
| Employee benefits - protective services | 2,921 | 11,762 | 0 | 14,683 |
| Protective services - other contract costs | 34,805 | 455,952 | 0 | 490,757 |
| Other protective services | <u>6,987</u> | <u>2,143</u> | <u>0</u> | <u>9,130</u> |
| Total Protective Services | <u>48,743</u> | <u>486,035</u> | <u>0</u> | <u>534,778</u> |
| General Expenses | | | | |
| Property insurance | 87,343 | 69,551 | 0 | 156,894 |
| Liability insurance | 14,459 | 45,445 | 0 | 59,904 |
| Workmen's compensation | 20,534 | 58,450 | 0 | 78,984 |
| Insurance - other | <u>5,169</u> | <u>24,850</u> | <u>0</u> | <u>30,019</u> |
| Total Insurance | <u>127,505</u> | <u>198,296</u> | <u>0</u> | <u>325,801</u> |

BROCKTON HOUSING AUTHORITY
Brockton, Massachusetts

FINANCIAL DATA SUBMISSION SUMMARY
REVENUES, EXPENSES, AND CHANGES IN
NET POSITION ACCOUNTS - COMBINED SCHEDULE - AMP's
FOR THE YEAR ENDED DECEMBER 31, 2015

| <u>Account Description</u> | <u>MA 024-01</u> | <u>MA 024-02</u> | <u>MA 024-03</u> | <u>TOTAL</u> |
|--|----------------------|-----------------------|------------------|-----------------------|
| General Expenses | | | | |
| Other general expense | 36,238 | 0 | 0 | 36,238 |
| Compensated absences | 36,766 | 114,469 | 0 | 151,235 |
| Payments in lieu of taxes | 0 | 0 | 0 | 0 |
| Bad debt - tenant rents | 16,551 | 33,999 | 0 | 50,550 |
| Bad debt - mortgages | 0 | 0 | 0 | 0 |
| Severance expense | 0 | 0 | 0 | 0 |
| Total General Expenses | <u>89,555</u> | <u>148,468</u> | <u>0</u> | <u>238,023</u> |
| Financial Expenses | | | | |
| Interest expense - Mortgage Payable | 272,722 | 0 | 0 | 272,722 |
| Interest expense - Notes Payable | 27,274 | 120,826 | 0 | 148,100 |
| Amortization - issuance costs | 0 | 0 | 0 | 0 |
| Total Financial Expenses | <u>299,996</u> | <u>120,826</u> | <u>0</u> | <u>420,822</u> |
| TOTAL OPERATING EXPENSE | <u>3,589,853</u> | <u>10,670,416</u> | <u>0</u> | <u>14,260,269</u> |
| EXCESS OPERATING REVENUE | <u>595,817</u> | <u>(120,625)</u> | <u>0</u> | <u>475,192</u> |
| Other Expenses | | | | |
| Extraordinary maintenance | 3,308 | 11,959 | 0 | 15,267 |
| Casualty losses | 0 | 0 | 0 | 0 |
| Housing assistance payments | 0 | 0 | 0 | 0 |
| Depreciation expense | 1,437,950 | 1,274,859 | 0 | 2,712,809 |
| Total Other Expenses | <u>1,441,258</u> | <u>1,286,818</u> | <u>0</u> | <u>2,728,076</u> |
| TOTAL EXPENSES | <u>\$ 5,031,111</u> | <u>\$ 11,957,234</u> | <u>\$ 0</u> | <u>\$ 16,988,345</u> |
| EXCESS OF REVENUE OVER EXPENSES | <u>\$ (845,441)</u> | <u>\$ (1,407,443)</u> | <u>\$ 0</u> | <u>\$ (2,252,884)</u> |
| Operating transfer - in | 736,924 | 0 | 0 | 736,924 |
| Operating transfer - out | (736,924) | 0 | 0 | (736,924) |
| Inter Project Excess Cash Transfer - in | 0 | 300,000 | 0 | 300,000 |
| Inter Project Excess Cash Transfer - out | (300,000) | 0 | 0 | (300,000) |
| Transfer of equity | (949,283) | 475,010 | (3,168,408) | (3,642,681) |
| Beginning Net Position | <u>16,535,479</u> | <u>9,142,863</u> | <u>3,168,408</u> | <u>28,846,750</u> |
| Ending Net Position | <u>\$ 14,440,755</u> | <u>\$ 8,510,430</u> | <u>\$ 0</u> | <u>\$ 22,951,185</u> |
| Units Available | 3,876 | 15,624 | - | 19,500 |
| Units Leased | 3,820 | 15,423 | - | 19,243 |

BROCKTON HOUSING AUTHORITY
Brockton, Massachusetts

SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

| | <u>Type</u> | <u>Federal CFDA #</u> | <u>Expenditures</u> |
|---|--------------|---------------------------|-----------------------------|
| <u>FEDERAL GRANTOR</u> | | | |
| <u>U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT:</u> | | | |
| Public Housing: | | | |
| Low Rent Public Housing - subsidy | A - Major | 14.850 | \$ 6,642,280 |
| Capital Fund Program | A - Major | 14.872 | 1,250,810 |
| Section 8 Housing Assistance Program: | | | |
| Massachusetts Rental Voucher Program <i>(State pass through)</i> | A - Major | 14.871 | 1,804,619 |
| Housing Choice Voucher Program | A - Major | 14.871 | 18,234,886 |
| Other Programs: | | | |
| Home Investment Partnership <i>(City pass through)</i> | B - Nonmajor | 14.239 | 257,219 |
| FSS Program | B - Nonmajor | 14.896 | <u>181,384</u> |
| TOTAL FEDERAL FINANCIAL AWARDS | | | \$ <u>28,371,198</u> |
| Threshold for Type A & Type B | | | \$ <u>851,136</u> |

The accompanying notes are an integral part of this schedule.

BROCKTON HOUSING AUTHORITY
Brockton, Massachusetts

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE A - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Brockton Housing Authority and is presented on full accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance.

NOTE B - SUBRECIPIENTS:

The Brockton Housing Authority provided no federal awards to sub-recipients during the fiscal year ending December 31, 2015.

NOTE C - DISCLOSURE OF OTHER FORMS OF ASSISTANCE:

- The Housing Authority received no federal awards of non-monetary assistance that are required to be disclosed for the year ended December 31, 2015.
- The Housing Authority had no loans, loan guarantees, or federally restricted endowment funds required to be disclosed for the fiscal year ended December 31, 2015.
- The Housing Authority maintains the following limits of insurance as of December 31, 2015:

| | |
|---------------------|----------------|
| Property | \$ 100,000,000 |
| Liability | \$ 1,000,000 |
| Commercial Auto | \$ 300,000 |
| Worker Compensation | Statutory |
| Bond | \$ 150,000 |
| Flood Insurance | \$ 100,000 |

Settled claims have not exceeded the above commercial insurance coverage limits over the past three years.