Housing Opportunities of Salem, Inc.

Cathy Sheehan, President

October 23, 2026

Maureen Fisher,Acting City Clerk
Office of the Clerk
City Hall, 93 Washington Street
Salem, MA 01970

Dear Ms.Fisher:

In accordance with Chapter 30A, Section 20 of the General Laws, as amended, **NOTICE OF MEETING OF THE BOARD OF DIRECTORS OF HOUSING OPPORTUNITIES OF SALEM, INC.** to be held on **THURSDAY, OCTOBER 29, 2026 at 5:00 p.m.** via Zoom Webinar only is hereby posted

Zoom Webinar Invite:

When: Oct 29, 2026 05:00 PM Eastern Time (US and Canada)
Topic: Housing Opportunities of Salem, Inc. Board of Directors Meeting - Thursday, October 29, 2026 at 5:00 p.m.

Join from PC, Mac, iPad, or Android:
https://us02web.zoom.us/j/88444253768?pwd=ZnAB7M7aV1pMmn2BaY0V0t85hVJbyy.1
Passcode:268988

Phone one-tap:
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+16469313860,,88444253768#,,,,*268988# US

Join via audio:
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+1 646 931 3860 US
+1 301 715 8592 US (Washington DC)
+1 305 224 1968 US
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+1 689 278 1000 US
+1 719 359 4580 US
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This notice posted on "Official Bulletin Board" City Hall, Salem, Mass. on OCT 23 2026 **at** 12:00 Pm **in accordance with MGL Chap. 30A, Sections 18-25.**

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+1 507 473 4847 US
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+1 669 444 9171 US
+1 669 900 9128 US (San Jose)
Webinar ID: 884 4425 3768
Passcode: 268988
International numbers available: https://us02web.zoom.us/u/kySqhUrpX

It is anticipated by the Chairman that the matters outlined in the attached agenda below will be discussed as well as any other unforeseen business that may lawfully come before it.

AGENDA FOR THE
MEETING OF THE BOARD OF DIRECTORS
OF HOUSING OPPORTUNITIES OF SALEM, INC.
THURSDAY, OCTOBER 29, 2026
AT 5:00 P.M.

This meeting will be held virtual only.

I. Call Meeting to Order

II. Roll Call

III. Minutes

Approve Minutes of the Board of Directors Meeting of Housing Opportunities of Salem, Inc. held on July 16, 2026.

IV. Financials

Bills for the period July 1, 2026 through September 30, 2029.

Balance Sheet and Statements of Revenues and Expenses as of August 31, 2026 and the related monthly operating statement for the 8 months then ended.

V. New Business

- Property Management Agreement between Housing Opportunities Salem, Inc. and Salem Housing Authority.

VI. Other Business /Late Communications

VII. Adjournment

Very truly yours,

CSheehan

Cathy Sheehan
Executive Director

Copy: SHA Board Members
Charter Street Tenants Association
Pioneer/Bertram Terrace Tenants Organization
Dalton House Tenants Organization
Rainbow Terrace Tenants Organization

23 de octubre de 2026

Maureen Fisher, Secretaria Municipal Interina
Oficina de la Secretaria
Ayuntamiento, 93 Washington Street
Salem, MA 01970

Estimada Sra. Fisher:

De conformidad con el Capítulo 30A, Sección 20 de las Leyes Generales, según enmendadas, se publica el Aviso de la REUNIÓN ORDINARIA de HOUSING OPPORTUNITIES OF SALEM, INC. que se llevará a cabo el JUEVES 29 DE OCTUBRE DE 2026 a las 5:00 p. m. únicamente a través de Zoom.

¡Está invitada a un seminario web de Zoom!

Cuándo: 29 de octubre de 2026, 5:00 p. m. (Hora del Este de EE. UU. y Canadá)
Tema: Reunión de la Junta Directiva de Housing Opportunities of Salem, Inc. - Jueves 29 de octubre de 2026 a las 5:00 p. m.

Únete desde PC, Mac, iPad o Android:
https://us02web.zoom.us/j/88444253768?pwd=ZnAB7M7aV1pMmn2BaY0V0t85hVJbyy.1
Código de acceso: 268988

Acceso telefónico con un toque:
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+1 360 209 5623 EE. UU.
+1 386 347 5053 EE. UU.
+1 507 473 4847 EE. UU.
+1 564 217 2000 EE. UU.
+1 669 444 9171 EE. UU.
+1 669 900 9128 EE. UU. (San José)

ID del seminario web: 884 4425 3768
Código de acceso: 268988
Números internacionales disponibles: https://us02web.zoom.us/u/kySqhUrpX

El Presidente prevé que se tratarán los asuntos descritos en el orden del día adjunto, así como cualquier otro asunto imprevisto que pueda presentarse legalmente.

ORDEN DEL DÍA DE LA
REUNIÓN DE LA JUNTA DIRECTIVA
DE HOUSING OPPORTUNITIES OF SALEM, INC.
JUEVES, 29 DE OCTUBRE DE 2026
A LAS 17:00

Esta reunión se celebrará únicamente de forma virtual.

I. Apertura de la sesión

II. Lista de asistencia

III. Acta

Aprobar el acta de la reunión de la Junta Directiva de Housing Opportunities of Salem, Inc. celebrada el 16 de julio de 2026.
IV. Información financiera

Facturas correspondientes al período del 1 de julio de 2026 al 30 de septiembre de 2029.

Balance general y estado de ingresos y gastos al
31 de agosto de 2026 y el estado de resultados mensual correspondiente a los 8 meses finalizados en dicha fecha.

V. Asuntos nuevos

- Acuerdo de administración de propiedades entre Housing Opportunities Salem, Inc. y la Autoridad de Vivienda de Salem.

VI. Otros asuntos / Comunicaciones pendientes

VII. Clausura

Atentamente,

CSheehan

Cathy Sheehan
Directora Ejecutiva

Copia: : Miembros de la Junta Directiva de SHA
Organización de Inquilinos de Pioneer/Bertram Terrace
Organización de Inquilinos de Dalton House
Organización de Inquilinos de Rainbow Terrace

Housing Opportunities of Salem, Inc.

Cathy Sheehan, President

DISCUSSIONS FOR THE
REGULAR MEETING OF THE BOARD
OF DIRECTOR OF HOUSING OPPORTUNIES OF SALEM, INC.
THURSDAY, OCTOBER 29, 2026 AT 5:00 P.M.

This meeting is being held virtual only.

I. Call Meeting to Order

II. Roll Call

Present Absent

Also Present:

III. Minutes

Approve Minutes of the Board of Directors Meeting of Housing Opportunities of Salem, Inc. held on July 16, 2026

( ) moves to approve the Minutes of the Board of Directors Meeting of Housing Opportunities of Salem, Inc. held on July 16, 2026. ( ) seconds the motion and the roll call vote is as follows:

Ayes Nays

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IV. Financials

Bills for the period July 1, 2026 through August 31, 2026

( ) moves to acknowledge receipt of the Bills of Housing Opportunities of Salem for the period July 1, 2026 through August 31, 2026. ( ) seconds the motion and the roll call vote is as follows:
Ayes Nays

Balance Sheet and Statements of Revenues and Expenses

Balance Sheet and Statements of Revenues and Expenses prepared by Paul Pavia, CPA of Fenton Ewald & Associates as of August 31, 2026 and the related monthly operating statement for the 8 months then ended.

( ) moves to approve the Balance Sheet and Statements of Revenues and Expenses prepared by Paul Pavia, CPA of Fenton Ewald & Associates as of August 31, 2026 and the related monthly operating statement for the 8 months then ended. ( ) seconds the motion and the roll call vote is as follows:
Ayes Nays

V. New Business

Property Management Agreement between Housing Opportunities of Salem, Inc. and Salem Housing Authority

( ) moves to approve the Property Management Agreement between Housing Opportunities of Salem, Inc. and the Salem Housing Authority as presented. ( ) seconds the motion and the roll call vote is as follows:
Ayes Nays

VI. Other Business/Late Communications

VII. Adjournment

( ) moves that the Board adjourn the Regular Meeting of Housing Opportunities of Salem, Inc. Thursday, October 29, 2026 at ( ) p.m. ( ) seconds the motion and the vote is as follows:

Ayes Nays

Housing Opportunities of Salem, Inc.

Cathy Sheehan, President

MINUTES OF THE
MEETING OF THE BOARD OF DIRECTORS
OF HOUSING OPPORTUNITIES OF SALEM, INC.
THURSDAY, JULY 16, 2026
BOARD OF DIRECTORS AT 5:00 P.M.

This meeting will be held virtual only.

I. Called Meeting to Order AT 5:08 P.M.

II. Roll Call

Ayes	Nays
Veronica Miranda Patricia Morsillo Aaron Paternoster Emily Ullman	Romell Kidd was absent

III. Minutes

Veronica Miranda moved to approve the Minutes of the Board of Directors Meeting of Housing Opportunities of Salem, Inc. held on April 29, 2026 at 5:00 p.m. Aaron Paternoster seconded the motion and the roll call vote was as follows:

Ayes	Nays
Veronica Miranda Patricia Morsillo Aaron Paternoster	

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Emily Ullman

IV. Financials

Bills

Patricia Morsillo moved to acknowledge receipt of the bills for the period November 01, 2024 through June 30, 2026.with the revision including the addition of $7,500.00 for administrative fees for Quarter 1 from January 1, 2026 through March 31, 2026. Emily Ullman seconded the motion and the roll call vote is as follows:

Ayes	Nays
Veronica Miranda	
Patricia Morsillo	
Aaron Paternoster	
Emily Ullman	

Balance Sheet and Statements of Revenues and Expenses

Cathy Sheehan presented the Balance Sheet and Statements of Revenues and Expenses for acceptance by the Board of Directors.

Patricia Morsillo moved to accept the Balance Sheet and Statements of Revenues and Expenses prepared by Paul Pavia of Fenton, Ewald & Associates, P.C. for six (6) months ending June 30, 2026. Veronica Miranda seconded the roll call vote was as follows:

Ayes	Nays
Veronica Miranda	
Patricia Morsillo	
Aaron Paternoster	
Emily Ullman	

V. New Business

- Discussion – Goals and visions for HOS, Inc.
- Amendment to HOS, Inc. By-Laws

Cathy Sheehan will present to the Board of Directors the First Amendment to the HOS, Inc. By-Laws/

Aaron Paternoster moved to approve the First Amendment to the By-Laws of HOS, Inc. wherein Section 3.04 President was deleted in its entirety and a new Section 3.04 was added as follows:

Section 3.04 PRESIDENT AND VICE PRESIDENT.

(a) The President shall preside at all meetings of the Corporation. Except as otherwise authorized by resolution of the Corporation, the President shall sign all contracts, deeds and other instruments made by the Corporation. At each meeting, the President shall submit such recommendations and information as he may consider proper concerning the business affairs and policies of the Corporation. If applicable, the Vice-President shall perform the duties of the President in the absence or incapacity of the President and in case of a vacancy in the office of the President.

(b) The Vice President shall have such powers and duties as may be designated from time to time by the Board of Directors or the President. Patricia Morsillo seconded the motion and the roll call vote was as follows:

Ayes	Nays
Veronica Miranda	
Patricia Morsillo	
Aaron Paternoster	
Emily Ullman	

VI. Other Business /Late Communications

There was no other business or late communications.

VII. Adjournment

Patricia Morsillo moved to adjourn the meeting of the Board of Directors of Housing Opportunities of Salem, Inc. on July 16, 2026 at(6:29 p.m.. Veronica Miranda seconded the motion and the roll call vote was as follows:

Ayes	Nays
Veronica Miranda	
Patricia Morsillo	
Aaron Paternoster	
Emily Ullman	

Summary of Article III through Article VI of the July 16, 2026 Meeting of the Board of Directors of Housing Opportunities of Salem, Inc,

Cathy Sheehan, President called a board meeting for Housing Opportunities of Salem Incorporated to order at 5:08 PM on July 16th, 2026. The meeting began with participants including Patty, Veronica, Aaron, and Emily joining. Emily was initially running late but joined the meeting during roll call.

Board Financial Review Meeting

The board conducted a roll call and approved the minutes from April 29th, 2026. The main discussion focused on financial matters, with Patti questioning administrative services fees totaling $15,000 on the operating statement. Massiel clarified that the fees were calculated quarterly, with a $7,500 payment for Q1 that was inadvertently omitted from the documentation, bringing the total to the correct amount for the six-month period.

The Meeting focused on reviewing financial matters and discussing bylaws, amendments. Cathy explained that an additional $2400.00 audit chart for HOS, Inc records was incurred and referenced in the final audit package. The Board approved the balance sheet and statements of revenues and expenses for the six months ended June 30, 2026 with a correction to be made for a $7,500.00 for quarter one.

Bylaws and Housing Goals Discussion

The board approved bylaws with a deletion and replacement of section 3.04, which now includes the vice president's role in the president's absence. Veronica clarified with Cathy that no other changes were made to the bylaws beyond this addition. The meeting then shifted to discussing goals and vision for HOS, with Cathy mentioning the articles of organization that outline the corporation's purpose, including developing and sustaining affordable and low-income housing in Salem and surrounding communities.

Affordable Housing Development Plans

Cathy explained the purpose of the nonprofit, which is to develop affordable housing opportunities in Salem and surrounding areas, and outlined how it will serve as a vehicle for receiving profit sharing and converting federal property. Patti inquired about maintenance costs

and property condition, to which Cathy responded that significant upgrades had already been completed using federal funds, including elevator, roof, and building envelope work. Cathy agreed to provide a summary of the 39-unit portfolio and a side-by-side comparison of income and budget allocation to help board members understand the financial outlook for the properties.

Nonprofit Financial Operations Update

Cathy explained that the nonprofit is currently in early operations phase with healthy but limited financials, primarily generating revenue from Leefort Terrace and interest income. She noted that additional revenue sources will include rents, housing subsidies, and administrative fees once fully operational. While the organization could potentially consider acquiring properties if financially viable opportunities arise, Cathy indicated they are taking a measured approach to building reserves before expanding into new projects.

Nonprofit Entity Capabilities Discussion

EmilyUllman asked about additional capabilities of the nonprofit entity beyond property acquisition and loan taking. Cathy explained that as a 501c3 nonprofit, HOS can apply for different types of grant programs that the housing authority cannot access, which represents a significant funding opportunity.

Partnership Opportunities Discussion

Cathy explained potential partnership opportunities with organizations like Harbor Light Homes, highlighting the value of local connections and experience in construction and permitting processes. Emily suggested exploring partnerships to support specific populations, such as former foster youth and veterans, and Cathy agreed to provide updates on foster youth initiatives at the next housing authority meeting. Patti mentioned the city's Affordable Housing Trust Fund Board and efforts to engage multifamily property owners for potential sales, suggesting further opportunities for partnerships or grant funding.

Housing Opportunities Nonprofit Development

Cathy explained that the new nonprofit entity, Housing Opportunities of Salem Inc., serves as an extension of the Housing Authority's mission to provide more creative opportunities for affordable housing in the community. Patti discussed the challenges of purchasing and redeveloping buildings in Salem due to high costs, and Cathy emphasized the importance of managing existing properties and entering into a management agreement with the Housing

Authority. Emily suggested developing a framework or scorecard to help evaluate costs, benefits, and decision-making criteria for potential projects, which Cathy agreed to consider.

Nonprofit Financial Planning Strategy

Cathy explained the pro forma spreadsheet used in development and redevelopment to evaluate operational costs, income, and construction expenses. Emily suggested balancing numerical analysis with qualitative considerations about the organization's vision and goals. The group agreed to focus on financial stability over the next 6-12 months as a new nonprofit, with plans to carefully examine revenue and costs while building reserves.

First Street Project Progress Update

Cathy discussed the successful First Street project, which will include affordable housing and child care services, and noted that the nonprofit is already moving on to the next opportunity. Aaron asked about identifying potential future projects and incentives for property owners to sell to the nonprofit, to which Cathy responded that their mission and potential tax benefits could be appealing, though tax credit programs might not be feasible for their current stage. The discussion concluded with Emily expressing appreciation for reaching a point where they can consider more creative and innovative approaches to property acquisition.

Salem Contacts and Development Planning

The group discussed connecting with contacts in Salem regarding building approvals and property development programs. They agreed on two key action items for the next meeting: reviewing financial projections and projected revenue for their portfolio of properties, and providing an overview of profit sharing from Leefort Terrace. Patti suggested developing guiding principles and a mission statement for the nonprofit to support future projects, which the group supported as a longer-term goal.

Salem Housing Authority
HOS Inc. Expenditures
8/31/2026

Doc #	Date	Vendor	Description	Amount
81251	2/18/2026	Elan CC	Certificate Renewal Fee	$ 3.00
81251	2/18/2026	Elan CC	Certificate Renewal Fee	$ 10.00
142997	6/30/2026	Klein Hornig LLP	May 2026: General Matters: HOS	$ 69.00
147468	8/13/2026	Klein Hornig LLP	July 2026: General Matters: HOS	$ 172.50
			Admin Services Q1 2026 (Jan-Mar)	$ 7,500.00
			Admin Services Q2 2026 (Apr-June)	$ 7,500.00
			Admin Services Q3 2026 (July-Sept)	$ 5,000.00
			Total:	$ 20,254.50

FENTON, EWALD & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
280 HILLSIDE AVENUE
NEEDHAM, MA 02494-1365

OFFICE: (781) 444-6630
FAX (781) 444-6836
E-MAIL: office@feacpa.com

To the Board of Commissioners
Housing Opportunities of Salem, Inc.
27 Charter Street
Salem, MA 01970

We have compiled the accompanying balance sheet of Housing Opportunities of Salem, Inc. as of **August 31, 2026**, and the related monthly operating statement for the **8** months then ended. We have not audited or reviewed the accompanying financial statements and accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America. Such information has been compiled from information that is the representation of management, without audit or review, and accordingly, we do not express an opinion or provide any assurance on such data.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has elected to omit substantially all disclosures and the statement of cash flows required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusion about the financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Fenton, Ewald & Associates, P.C.

Fenton, Ewald & Associates P.C.

Needham, Massachusetts
Dated: October 26, 2026

Housing Opportunities of Salem, Inc.
Balance Sheet - August 31, 2026

Assets

Cash	$491,072.20
Accounts Receivable - Tenants	11,289.52
Prepaid Expenses	0.00
Fixed Assets - Net	0.00
Total Assets	$502,361.72

Liabilities and Surplus

Accounts Payable - Vendors	0.00
Accounts Payable - Revolving Fund	1,410.50
Accrued Compensated Absences	0.00
Accrued Payroll	0.00
Other Accrued Liabilities	0.00
Unrestricted Net Assets	280,987.51
Invested in Capital Assets	0.00
Net Income (Deficit) - Current Year	219,963.71
Total Liabilities and Surplus	$502,361.72

See Accountants' Compilation Report

Housing Opportunities of Salem, Inc.
Monthly Operating Statement
8 months ending August 31, 2026

Account Number	Classification	Approved Budget Amount	Pro Rata Budget	Actual To Date Amount	Variance Favorable (Unfavorable)
	Operating Receipts				
3110	Dwelling Rental Income	-	-	16,458.40	16,458.40
3115	Section 8 Subsidy	-	-	80,848.00	80,848.00
3110.2	Developer Fees	-	-	133,402.25	133,402.25
3610	Interest Income	-	-	9,509.56	9,509.56
Total Operating Receipts		-	-	240,218.21	240,218.21
	Operating Expenditures				
4110	Administrative Services	-	-	20,000.00	(20,000.00)
4130	Legal	-	-	241.50	(241.50)
4150	Travel and Related Expenses	-	-	-	-
4170	Accounting Services	-	-	-	-
4171	Audit Services	-	-	-	-
4190	Office Expenses	-	-	13.00	(13.00)
4510	Insurance	-	-	-	-
4540	Employee Benefits	-	-	-	-
Total Operating Expenses		-	-	20,254.50	(20,254.50)
Net Income (Deficit) before Non Cash Expenses		**-**	**-**	**219,963.71**	**219,963.71**
4801	Depreciation Expense	-	-	-	-
Net Income (Deficit) after Non Cash Expenses		-	-	219,963.71	219,963.71

See Accountants' Compilation Report

PROPERTY MANAGEMENT AGREEMENT

This Agreement is made as of the ___ day of _____, 2026 ("**Effective Date**") by and between Housing Opportunities of Salem Inc., a Massachusetts nonprofit corporation ("**Owner**") and Salem Housing Authority, a public body corporate and politic organized under the laws of the Commonwealth of Massachusetts ("**Agent**").

1. **Appointment and Acceptance.** Owner hereby appoints and engages Agent as its exclusive agent to rent, lease, operate and manage the Project described in Section 2 hereof and Agent accepts the appointment subject to the terms and conditions set forth in this Agreement.

2. **Description of Project.** The property to be managed by Agent (the "**Project**") is the apartment community consisting of the land, buildings and other improvements, including the dwelling units (the "**Project Units**") located at 2 Hathorne Crescent Street, 5 Barton Square, Unit 2, 73 Boston Street, 121 ½ Bridge Street, 122 ½ Boston Street, and 292 Essex Street, Unit 2 in Salem, Massachusetts (collectively, the "**Scattered Sites**") and further described on **Exhibit A**.

3. **Definitions.** Capitalized terms used and not defined in the body of this Agreement are defined in **Exhibit A**.

4. **Scope of Services.** Agent will have the general duty and responsibility of managing the Project in a good and efficient manner and in compliance with Project Requirements, as defined herein. Agent shall exercise due diligence and care in the management of the Project, and shall furnish Owner with its best advice, experience and judgment in such management.

5. **Project Requirements.**

   (a) If the Project is subject to certain operational and programmatic requirements, agreements, and restrictions arising out of the governmental programs under which it is financed or assisted, lender requirements set forth in any Project loan documents, investor requirements set forth in the Partnership/Operating Agreement, and/or otherwise, as set forth in the documents identified on **Exhibit A**, and all applicable federal, state and local laws, statutes, ordinances, regulations, and other applicable authority legal authorities referenced therein or applicable to the Project whether or not specifically referenced (collectively, "**Project Requirements**"). Agent acknowledges that Owner has provided it with copies of all project-specific documents listed in the Project Requirements and that Agent has reviewed the Project Requirements. Owner shall provide any documents not listed in Project Requirements that Owner expects Agent to observe in the operation of the Project. In performing its duties hereunder, Agent shall comply with, and shall cause the Project to comply with, the Project Requirements, provided, however, that such compliance will be an expense of the Project and Agent will not be required to make any payments from its own funds or incur any individual liability.

6. **Marketing.** Agent will carry out marketing for the Project in accordance with the Project Requirements including the resident selection or marketing plan therein.

7. **Rentals.** Agent will use due diligence in the management of the Project, devoting such resources as are appropriate, and will use reasonable efforts to rent the Project Units and other rental facilities in the Project. Incident thereto, the following provisions will apply:

   (a) Agent will be the exclusive rental agent of the Project.

(b) Agent will make preparations for initial rent-up of the Project (if not currently occupied).

(c) Agent will set up and maintain an on-site management office to service the Project or make other arrangements reasonably acceptable to Owner.

(d) Agent will follow any marketing plan or resident selection plan approved by Owner and any other applicable parties.

(e) Agent will show available dwelling units to prospective tenants and counsel all prospective tenants regarding eligibility for the Project Units.

(f) Agent will comply with all Project Requirements regarding applicants for occupancy of the Project Units including, as applicable, application intake, determination of eligibility, interview and screening, verification procedures, selection and rejection, record maintenance, unit assignment and execution of leases, all in accordance with the forms, criteria and procedures.

(g) Agent will comply with all eligibility verification and documentation procedures required by the Project Requirements prior to executing leases and upon subsequent review, and will prepare, maintain and verify eligibility certifications, in accordance with the Project Requirements and any additional specific compliance requirements provided by Owner.

(h) Agent will prepare all leases and will execute the same in Owner's name, identifying itself thereon as agent for Owner. Leases will be in a form approved by Owner, but individual leases will not be submitted for the approval of Owner.

(i) No lease shall be executed for rental amounts less than as required by applicable program requirements.

(j) Agent will collect, deposit and disburse security deposits, if required, in accordance with the terms of each tenant's lease and any applicable state or local laws regarding security deposits, including without limitation any applicable laws concerning payments of interest thereon. Security deposits will be deposited by Agent in the Security Deposit Account.

(k) A joint inspection of each Project Unit will be conducted by Agent and the new tenant prior to move-in, and a checklist of the unit's condition will be signed by Agent and the tenant upon occupancy; inspections of occupied units will be conducted on a regular basis in order to ascertain the adequacy of care of the unit by the tenant and any necessary repairs; prior to a planned move-out, a joint inspection of the unit will be conducted by Agent and the tenant and where required repairs exceed normal wear and tear, Agent will resolve appropriate charges with the tenant, or deduct such charges from the security deposit in accordance with any applicable state and local laws.

8. **Bank Accounts.** At Owner's direction, Agent will establish and maintain a separate bank account, in an institution whose deposits are federally insured, which account shall be used exclusively by Agent for funds of the Project and be known as the Project's **Operating Account**. Funds in the Operating Account will remain the property of Owner, subject to disbursement by Agent. Agent will not be held liable in the event of bankruptcy or failure of a depository.

At Owner's direction and in conformance with any applicable local and state laws regarding security deposits, Agent will establish and maintain a separate interest-bearing escrow account in

an institution whose deposits are federally insured, which account shall be used exclusively by Agent for security deposits received by Agent from tenants of the Project and be known as the Project's **Security Deposit Account**. Agent will not be held liable in the event of bankruptcy or failure of a depository.

If and as required by Project Requirements, Agent will establish and maintain a separate bank account, in an institution whose deposits are federally insured, which account shall be used exclusively by Agent for funds of the Project and be known as the Project's **Replacement Reserve Account**.

All bank accounts opened by Agent at Owner's direction shall be held in Owner's name, but shall be under Agent's exclusive control. Only Agent shall be authorized to draw upon such accounts. No funds deposited in any account established under this Agreement shall be comingled with any other funds of Agent or any other entity.

9. **Collection of Rents, Charges and Other Receipts.** Agent will use reasonable efforts to collect, when due, rents, charges and other amounts receivable due from tenants or others on Owner's account in connection with the operation of the Project. Tenant rent payments or charges will be due and payable in accordance with the terms of each lease. All funds collected by Agent shall be deposited by Agent in the Operating Account.

All security deposit funds, if any, received by Agent shall be deposited in the Security Deposit Account in accordance with the terms of each tenant's lease and the laws of the locality and state where the Project is located.

10. **Enforcement of Leases.** Agent will use diligent efforts to secure full compliance by each tenant with the terms of the tenant's lease. Voluntary compliance will be emphasized and Agent will counsel tenants and make referrals to community agencies in cases of financial hardship or other circumstances deemed appropriate by Agent, to the end that involuntary termination of tenancies may be avoided to the maximum extent consistent with the sound management of the Project.

Nevertheless, subject to any applicable procedures set forth, Agent shall have the authority, acting on behalf of Owner, to terminate any tenancy when, in Agent's judgment, sufficient cause (including, but not limited to, nonpayment of rent) for such termination exists under the terms of the tenant's lease. Agent is authorized to consult with legal counsel of its choice to bring actions for evictions or legal proceedings to enforce any of the lease terms or to recover rents or other charges due and to execute notices to vacate and/or other notices; provided, however, that Agent shall keep Owner informed of such actions. Attorney's fees and other necessary costs incurred in connection with such actions and not recovered from tenants will be paid from the Operating Account as Project expenses.

11. **Maintenance and Repair.** Agent will cause the Project to be maintained and repaired in accordance with Project Requirements, and state and local codes and in a condition at all times acceptable to Owner and other applicable parties, including but not limited to cleaning, painting, decorating, plumbing, carpentry, grounds care, and such other maintenance and repair work as may be necessary.

Incident thereto, the following provisions will apply:

(a) Special attention will be given to preventive maintenance. To the greatest extent feasible, the services of regular maintenance personnel shall be used.

(b) Agent is authorized to contract with qualified independent contractors, when necessary, for general maintenance and repair of major mechanical systems.

(c) Agent is authorized to purchase all materials, equipment, tools, appliances, supplies, and services necessary for proper maintenance and repair of the Project in accordance with the budget established with Owner.

(d) Notwithstanding any of the foregoing provisions, the prior approval of Owner will not be required for any single expenditure for labor, materials, or otherwise in connection with the maintenance and repair of the Project.

(e) Agent will systematically and promptly receive and investigate all service requests from tenants, take such action thereon as may be justified, and will keep records of the same. Complaints of a serious nature regarding the condition of the Project will be reported to Owner for investigation.

12. **Utilities and Services**. Agent is authorized by Owner to make arrangements and/or, as agent for Owner, enter into contracts for water, electricity, gas, fuel, oil, sewage and trash disposal, pest extermination, decorating, laundry facilities, and telephone, cable and data communication services and any and all other services as may be required or advisable for the operation of the Project. The term of any contract made by Agent hereunder may extend beyond the term of this Agreement. To the extent included in the approved Project budget, Agent may enter into contracts with third party utility invoice processing, monitoring, and bundling service providers for the purposes of processing utility invoices, monitoring utility usage, and bundling utility services at the Project in an effort to reduce utility costs and improve the Project's energy efficiency. All utility payments shall be made from the Operating Account. If the dwelling units are individually metered for any utilities, tenants will contract directly for those utilities and Agent will not make contracts to secure the same.

13. **Disbursements from Operating Account and Withdrawal from Reserves**. Agent will make disbursements from Owner's funds in accordance with this Agreement and the Management Plan. Incident thereto, the following provisions will apply:

(a) From the funds collected and deposited by Agent in the Operating Account, Agent will make the following disbursements promptly when payable:

(1) Compensation payable to Agent hereunder and reimbursement to Agent for compensation payable to or on account of the employees, and for the taxes and assessments payable to local, state, and federal governments in connection with the employment of such personnel.

(2) The payments required to be made periodically by Owner to mortgagee(s), if applicable, including the amounts due for principal amortization, interest, mortgage insurance premiums; ground rents; taxes and assessments; insurance premiums; and the amounts required by any mortgagee, United States Department of Housing and Urban Development ("**HUD**") or other party for allocation to a replacement, operating or other reserve.

(3) The payment for technology required to manage the Project including but not limited to hardware, software licensing and technology maintenance fees, and the payment for reasonable costs incurred in connection with third party records

storage expenses. Such reimbursements will be paid from the Operating Account and will be treated as a Project expense.

(4) All sums otherwise due and payable as expenses of the Project.

13

(b) In the event that the balance in the Operating Account is at any time insufficient to pay expenses when due, Agent will inform Owner of that fact, and Owner will, within five (5) business days, remit to Agent sufficient funds to cover the deficiency. Notwithstanding anything to the contrary stated or implied herein, Agent shall have no obligation or responsibility to use its own funds to pay Project expenses and it is hereby agreed Agent has no personal, individual or other liability for such debt.

(c) Agent shall withdraw from any Project reserve accounts as which direction shall be in accordance with the Project Requirements.

14. **Budgets.** After consultation with Owner, Agent will prepare a recommended operating budget for the Project for each Project Fiscal Year, which unless otherwise specified on **Exhibit A** will be the calendar year (January 1 – December 31), and will submit the same to Owner for approval for review as soon as possible with the expectation of not later than sixty (60) days before the earlier of (i) the beginning of each new Project Fiscal Year or as soon as possible. Upon receipt, Owner will promptly inform Agent, of changes, if any, to be incorporated in the budget. The proposed budget will be deemed approved unless Owner gives notice of disapproval within thirty (30) days of delivery. Once the budget is approved, Agent will use diligent efforts to see that each type of operating expense itemized in the budget will not exceed the annual amount authorized by the approved budget and Agent will keep Owner informed of any anticipated deviation from the receipts or disbursements stated in the approved budget. Owner will promptly inform Agent of any changes to be incorporated in the approved budget.

15. **Records and Reports.** In addition to and not in limitation of any other requirements specified in this Agreement and the Project Requirements, Agent will have the following responsibilities with respect to records and reports:

(a) Agent will establish and maintain a comprehensive system of records, books and accounts in a manner conforming to any directives of the Project Requirements and otherwise satisfactory to Owner. All records, books and accounts will be subject to examination by authorized representatives of Owner or other applicable parties during regularly scheduled business hours upon reasonable written notice which absent special need shall be at least forty-eight (48) hours.

(b) If requested by Owner, and/or as required by the Project Requirements, within sixty (60) days following the end of each Project Fiscal Year, Agent will furnish to Owner a complete annual financial report for the Project based upon an examination of the books and records. This report shall be prepared in conformity with generally accepted accounting principles. The costs of preparing this report will be paid out of the Operating Account as an expense of the Project.

(c) By the fifteenth (15th) day of each month, Agent will furnish Owner with reports reasonably requested by Owner, which may include Balance Sheet, Statement of Profit

and Loss and Loss v. Budget (i.e. budget v. actual) for the previous month and with a schedule of accounts receivable and payable as of the end of the previous month.

(d) By the tenth (10th) day of each month, or more frequently as requested by Owner, Agent shall submit to Owner a current occupancy report, if requested by Owner.

(e) If reasonably requested by Owner, Agent will prepare and furnish any other reports necessary to comply with the Project Requirements, including any audited financial reports required by the Project Requirements.

(f) Except as otherwise provided in this Agreement or shown in an approved Project budget, all off-site bookkeeping, clerical and other management overhead expenses (including but not limited to costs of office supplies and equipment, data processing services, postage, transportation for managerial personnel and direct telephone services relating to Agent's main office) will be covered in an Administrative Services agreement between Agent and owner.

16. **Bids, Discounts, Rebates, etc**. Agent shall use diligent efforts to obtain contracts, materials, supplies, utilities, and services in accordance with contracting and bidding requirements applicable to and required by the Salem Housing Authority. Agent shall secure and credit to Owner, and not receive or retain for itself, all discounts, rebates, or commissions obtainable with respect to purchases, service contracts, and all other transactions regarding the Project.

17. **Insurance**. Agent shall carry (a) worker's compensation insurance, for compensation to any person engaged in the performance of any work undertaken under this Agreement (b) commercial general liability insurance and excess/umbrella liability insurance policies; (c) Property Management Errors and Omissions Insurance such other insurance as a property manager of housing projects similar to the Development would carry, or as reasonably required by Owner. The commercial general liability insurance policy shall be endorsed to include as additional insureds the Owner. Owner shall obtain and keep in force, at its expense, property insurance on the Development and underlying real property, and such other insurance as it deems appropriate. Agent shall be named as an additional insure as their interests may appear on all liability insurance maintained with respect to the Development. Owner's insurance premiums shall be treated as operating expenses and shall be paid out of the Operating Accounts in accordance with the Operating Budget.

18. **Non-Discrimination**. In the performance of its obligations under this Agreement, Agent will comply with the provisions of any federal, state or local law prohibiting discrimination in housing on the grounds of race, color, creed, sex, sexual orientation, familial status, handicap, national origin or any other protected status.

19. **Employees**. The number, qualifications, and duties of personnel to be employed in the management of the Project, will be determined by Owner and Agent in accordance with the Owner-approved budget and in accordance with any Section 3, local hire, or similar obligations of the Project. All such employees will be deemed employees of Agent, not Owner, and will be hired, supervised, and discharged by Agent. Compensation (including payroll taxes, fringe, and health and disability benefits) payable to all full and part time on-site personnel; local, state, and federal taxes and assessments (including but not limited to Social Security taxes, unemployment insurance, and workmen's compensation insurance); and other direct cost incident to the employment and training of such personnel will be paid from the Operating Account and will be treated as a Project expense, subject to the following conditions:

(a) The compensation (including payroll taxes, fringe, and health and disability benefits) of all employees will be within Agent's sole discretion, provided that minimum wage standards are met.

(b) Agent shall maintain workers' compensation insurance covering all liability of the employer under established workers' compensation laws.

(c) Agent shall maintain employer's liability insurance, with Owner listed as additional insured.

(d) Agent shall prepare, file and execute all required statements and reports relating to employees, including, but not limited to, payroll tax reports, as required under applicable federal, state, and local law, regulations, and/or ordinances.

20. **Compliance with Governmental Orders; Licenses**. Agent will take such action as may be necessary to comply promptly with any and all government orders or other requirements affecting the Project, whether imposed by federal, state or local authority. Nevertheless, Agent shall take no such action so long as Owner is contesting, or has affirmed its intentions to contest, any such order or requirement. Agent will notify Owner, in writing, of all notices of such governmental orders or other requirements within three (3) business days of the time of their receipt. Owner will notify Agent, in writing, of all notices of such governmental orders or other requirements within three (3) business days of the time of their receipt. Agent will take all necessary steps to obtain and maintain in effect any licenses and registrations required under applicable law for the intended use and operation of the Project.

21. **Agent's Compensation**.

(a) For the services provided hereunder, exclusive of reimbursement of expenses to which Agent is entitled hereunder, Agent will receive a management fee paid out of the Operating Account and treated as a Project expense, which fee will include a base monthly elements (the "**Base Fee**") and may include other elements as specified in **Exhibit A**. The following subsections describe possible elements of the management fee, but such elements shall be charged for the Project only as specified in **Exhibit A**, and any particulars in **Exhibit A** will supersede this text.

(b) The Base Fee will be payable in an amount equal to a specified percentage of each month's gross receipts (the "**Fee Percentage**") or a fixed amount (the "**Fee Amount**") per unit per month, as specified in **Exhibit A**. If gross receipts determine the fee, an adjustment shall be made by the tenth (10th) day of the following month for monies collected after the payment of Agent's monthly management fee. If the fee is a set amount per unit per month, such amount shall be increased annually on the renewal date of this Agreement by a percentage specified in **Exhibit A** (the "**Fee Inflation Factor**"). Gross receipts shall include but not be limited to rental income (including rental subsidies), forfeited security deposits, laundry income, parking fees and other miscellaneous income, deposits and charges, but excluding security deposits and other deposits which have not been forfeited, insurance proceeds other than proceeds for loss of rents or income, condemnation awards, sale or refinancing proceeds, reimbursement of any overpaid expenses, utility charges and other "pass-throughs" or items of expense billed to the tenant and paid by the Project.

(c) For any Project in which Agent is related to the Owner, Agent may agree to subordinate some part of its fee to Project cash flow and senior obligations. In such event, any portion of such fee not paid when due will accrue and be paid as soon as feasible.

22. **Term**. This Agreement shall begin on the Effective Date and shall be in force for a period of one (3) year(s) from such date or such longer period as is stated in **Exhibit A** ("**Initial Term**") and thereafter shall be renewed automatically for one (3) year periods until either Owner or Agent terminates it, by written notice to the other party, at least sixty (60) days prior to the expiration of the Initial Term or any anniversary thereof.

This Agreement may be terminated at any time and for any reason, with or without cause, by either party upon sixty (60) days advance written notice of such termination to the other party. This Agreement may also be terminated by either party for gross negligence, willful misconduct or criminal fraud upon five (5) days written notice to the other party.

Notwithstanding anything to the contrary in this Agreement, Owner may terminate this Agreement if and as required by any of the Project Requirements.

23. **Project Compliance**. Notwithstanding anything to the contrary herein, Owner acknowledges that Agent has no responsibility for the compliance of the Project or any building thereon or any equipment therein with the requirements of any building or zoning codes or with any statute, ordinance, law, or regulation of any governmental body or of any public authority or official thereof having jurisdiction, including but not limited to lead paint conditions, except insofar as such compliance or non-compliance is caused by Agent's gross negligence, willful misconduct, or failure to perform its responsibilities under this Agreement. Agent shall notify Owner promptly or forward to Owner promptly any complaints, warnings, notices, or summonses received by Agent relating to such matters. To the extent there are sufficient funds, Agent shall take necessary action to cure any violations or hazards related to the above. Owner represents that, to the best of Owner's knowledge, the Project and all Project equipment comply with all above requirements. To the extent not expressly prohibited by law, Owner shall indemnify and hold Agent harmless from any and all claims, losses, demands, liabilities, actions, causes of action and obligations, of whatever nature and description, and all costs of defending same (including reasonable attorney's fees) that are in any way caused by, related to or predicated upon any violation or alleged violations of such building codes, laws, ordinances, statutes or regulations, relating to the physical condition of the Project, including but not limited to lead paint conditions, excepting only losses caused by Agent's gross negligence, willful misconduct, or failure to perform its responsibilities under this Agreement.

24. **Agent Assumes No Liability for Past Practices**. Notwithstanding anything to the contrary stated or implied herein, Agent shall not be liable to Owner (or anyone claiming through Owner) in any context whatsoever for any acts or omissions of (a) Owner, (b) any past or present employees of Owner, (c) any previous owner of the Project, (d) any previous management agent employed at or providing services to the Project, or (e) any agent of (a)-(d) above. To the extent not expressly prohibited by law, Owner shall indemnify and hold Agent harmless from any and all claims, losses, demands, liabilities, actions, causes of action and obligations, of whatever nature and description, and all costs of defending same (including reasonable attorney's fees) which are in any way caused by, related to or predicated upon, any policies or practices of Owner and/or acts and/or omissions of Owner or its prior management company or any of their employees predating the date of this Agreement.

In amplification of the above and not in limitation thereof, Agent shall have no liability for violations of building, zoning, environmental or other laws or regulations, including but not limited to lead paint laws, that may exist as of the date of this Agreement but may only become known during the period this Agreement is in effect. Agent shall bring any such violations or hazards discovered by Agent to the attention of Owner in writing and Owner shall promptly cure them at Owner's sole expense.

25. **Indemnification**. Owner shall indemnify, defend and save Agent harmless from all loss, damage, cost, expense (including reasonable attorneys' fees), liability or claims incurred by or suffered by Agent relative to the Project and/or relative to Agent's management of the Project, except to the extent caused by or resulting from the illegal acts, gross negligence or willful misconduct of Agent.

Agent shall indemnify, defend and save Owner harmless from all loss, damage, cost, expense (including reasonable attorneys' fees), liability or claims (i) for personal injury or property damage incurred or occurring in, on or about the Project caused by or resulting from the illegal acts, gross negligence or willful misconduct of Agent or (ii) resulting from Agent's failure to comply with explicit obligations of this Agreement. The foregoing indemnity shall not apply to loss, damage, cost, expense (including reasonable attorneys' fees), liability or claims resulting from the illegal acts, gross negligence or willful misconduct of Owner.

Notwithstanding the foregoing, if Agent is ever a party to any litigation or proceeding commenced by a third party in which a claim or allegation is made that Agent (or persons for whom it may be responsible) has violated a contract, acted illegally, been negligent or otherwise committed any wrongdoing through any act or omission then, until such time as final judgment is entered against Agent finding Agent to have engaged in willful misconduct or gross negligence, all costs and expenses of defense including attorney's fees shall be borne solely by Owner. Such costs of defense shall be paid for by Agent using Project revenue or Owner advancing funds from time-to-time as defense costs are incurred.

26. **Limitation of Liability**. No manager, member, officer, director, agent, or employee of Agent and no officer, director, trustee, member, partner, manager, agent, or employee of any manager or member of Agent shall have any personal liability for the performance of any obligation by Agent, or under or in connection with this Agreement or any acts done or omitted by Agent. Owner shall look only to Agent and its assets for payment or performance under this Agreement.

27. **Relationship of Parties**. The relationship of the parties to this Agreement shall be that of principal and agent, and all duties to be performed by Agent under this Agreement shall be for and on behalf of Owner, in Owner's name, and for Owner's account. In taking any action under this Agreement, Agent shall be acting only as agent for Owner, and nothing in this Agreement shall be construed as creating a partnership, joint venture, or any other relationship between the parties to this Agreement, except that of principal and agent, or as requiring agent to bear any portion of losses arising out of or connected with the ownership or operation of the Project. Neither party shall have the power to bind or obligate the other except as expressly set forth in this Agreement, except that Agent is authorized to act with such additional authority and power as may be necessary to carry out the spirit and intent of this Agreement.

28. **Notices**. Any notices given pursuant to this Agreement shall be in writing and shall be considered to have been given: (a) if sent by email, but only if if actively acknowledged by recipient or followed by a second form of notice as described in this section 29; (b) if hand delivered, or (c) if sent by registered or certified mail, return receipt requested, or by private

overnight carrier, in each instance properly addressed and with postage or other charges prepaid, to the addresses set forth on **Exhibit A**.

All notices will be sent by personal delivery, email, Federal Express or other nationally recognized overnight messenger service, United States registered or certified mail, postage prepaid, return receipt requested. All notices shall be considered to have been given on the earlier of receipt, or acknowledgment of email, or forty-eight (48) hours after the date of mailing or one day after delivery to an overnight carrier as provided herein. Any party to this Agreement desiring to make a change in its address for the purpose of notices under this Section shall notify the other party of the change of address in the same manner as provided for in this Section for notices.

29. **Governing Law**. This Agreement shall be governed by and construed and enforced exclusively in accordance with the laws of the Commonwealth of Massachusetts. Venue and jurisdiction for any dispute arising out of or relating to this Agreement shall be in the county where the Project is located.

30. **Entire Agreement**. This Agreement constitutes the entire agreement between Owner and Agent with respect to the management and operation of the Project, and supersedes and replaces any and all previous management agreements entered into and/or negotiated between Owner and Agent related to the Project covered by this Agreement. Except as otherwise provided herein, no change will be valid unless made by supplemental written agreement, executed and approved in the same manner as this Agreement. Each party to this Agreement hereby acknowledges and agrees that neither party has made any warranties, representations, covenants, or agreements, express or implied, other than those expressly set forth herein and that each party, in entering into and executing this Agreement, has relied upon no warranties, representations, covenants, or agreements, express or implied, other than those expressly set forth herein.

31. **Successors and Assigns**. This Agreement shall inure to the benefit of and constitute a binding obligation upon Owner and Agent, and their respective successors and assigns; provided that neither Agent nor Owner shall assign this Agreement, and the rights and obligations herein set forth, without prior written consent of the other party. Notwithstanding the foregoing, Owner may assign its rights and obligations as required in connection with the financing of the Project.

32. **Counterparts**. This Agreement may be executed in any number of counterparts, each of which will be deemed an original and all of which, taken together, will constitute one instrument.

33. **Survivability**. The terms of Sections 23, 25, 26 and 26 of this Agreement shall survive the expiration or termination of this Agreement.

[Signature page follows.]

IN WITNESS WHEREOF, the principal parties have, by their duly authorized officers, executed this Agreement on the date first above written.

AGENT:

SALEM HOUSING AUTHORITY,
a public body corporate and politic organized
under the laws of the Commonwealth of Massachusetts

By: _____
Name: Cathy Sheehan
Title: Executive Director

By:_____

Name: Aaron Patternoster

Title: Board Chair

OWNER:

HOUSING OPPORTUNTIES OF SALEM INC.,
a Massachusetts nonprofit corporation

By: _____
Name: Cathy Sheehan
Title: President

By:_____
Name: Patti Morsillo
Title: Vice President

Exhibit A

PROJECT INFORMATION

I. Project Description

Project Name	**Scattered Sites listed below**
Address	Parcel I – 2 Hathorne Crescent Street Parcel II – 5 Barton Square, Unit 2 Parcel III – 73 Boston Street Parcel IV – 121 ½ Bridge Street Parcel V – 122 ½ Boston Street Parcel VI – 292 Essex Street, Unit 2
City, State, Zip	Salem, MA 01970
Number of Dwelling Units	39

II. Project Units

Kind of Unit	**Number of Units**
Project-Based Vouchers	39
Total Number of Dwelling Units:	39

III. Compensation (see Section 21):

a. **Base Fee: 6% of rental income.**

IV. Other Business Terms:

a. **Initial Term (Section 22): 3 years**

V. Notice Addresses

If to Owner, to:	Housing Opportunities of Salem Inc. c/o Salem Housing Authority 27 Charter Street Salem, MA 01970-3656
If to Agent, to:	Salem Housing Authority 27 Charter Street Salem, MA 01970-3656

Conversion from SHA Federal Public Housing to Housing Opportunities of Salem, Inc. (HOS)

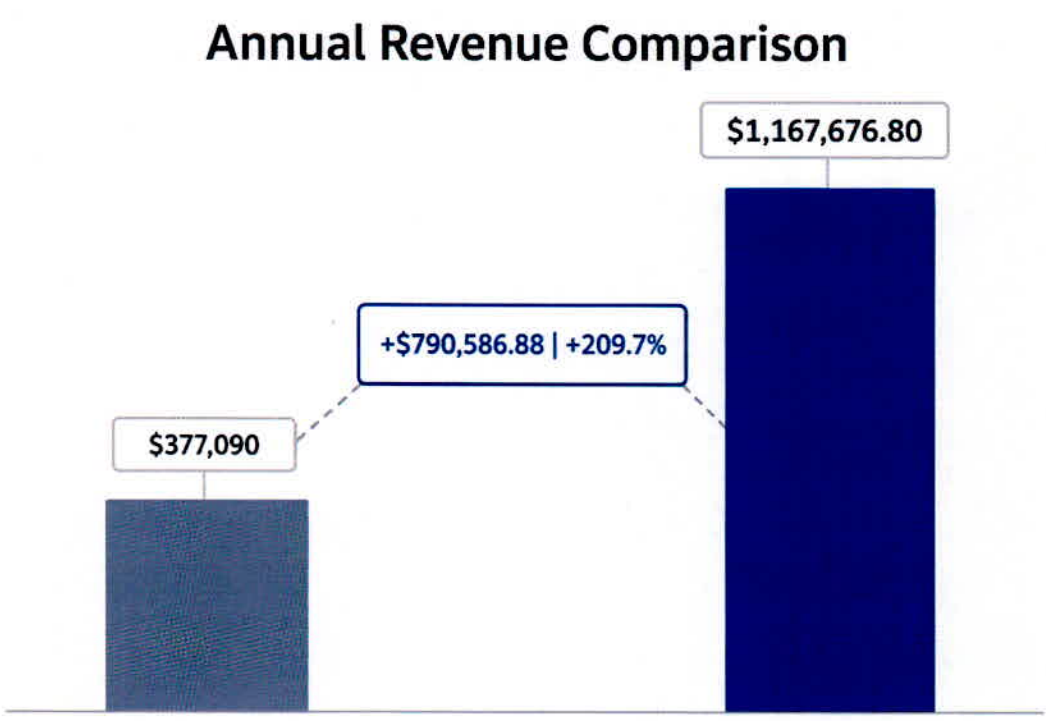
Financial Outcome

Model	Monthly Revenue	Annual Revenue
Housing Opportunities of Salem, Inc. (HOS)	$97,306.40	$1,167,676.80

Side-by-Side Revenue Comparison

Income Source	Monthly Income	Annual Income
Federal Public Housing (Prior)	$31,424.16	$377,090.00
Housing Opportunities of Salem, Inc. (HOS)	$97,306.40	$1,167,676.80
Net Increase	$65,882.24	$790,586.88

Annual Revenue Comparison



Financial Impact Summary

- **Annual increase:** $790,586.88
- **Monthly increase:** $65,882.24
- **Annual growth rate:** approximately 209.7%
- **Revenue multiple:** HOS generates approximately 3.1 times prior annual revenue

The conversion of the SHA Federal Public Housing program to Housing Opportunities of Salem, Inc. is projected to increase annual operating revenue from **$377,090.00** to **$1,167,676.80**. This represents an annual increase of **$790,586.88**, or approximately **209.7%**. The additional revenue strengthens organizational capacity to support housing operations, property maintenance, capital improvements, resident services, long-term asset preservation, and strategic growth initiatives.

LEEFORT TERRACE | PROFIT SHARING

Board report • SHA participation in developer fees, operations and potential exit proceeds

KNOWN SHA PROCEEDS	DEVELOPER FEE SHARE	20-YEAR NET CASH FLOW	SHA PARTICIPATION
$2,891,209	**$2,135,502**	**$755,707**	**25%**
Excludes unpriced sale / refinance	73.9% of known proceeds	26.1% of known proceeds	Across all listed sources

KNOWN PROFIT-SHARING COMPONENTS

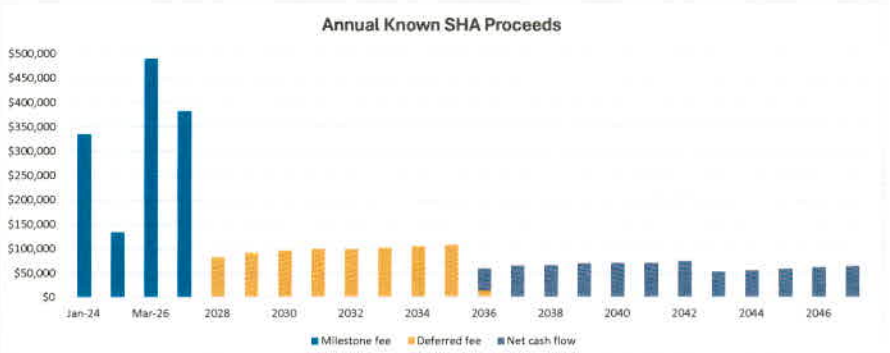
Component	Payment window	SHA share	% of known	Board view
Milestone developer fee	Jan-24 to Apr-27	$1,341,979	46.4%	Four development milestones
Deferred developer fee	2028 to 2036	$793,523	27.4%	Nine annual payments
Operating net cash flow	2036 to 2047	$755,707	26.1%	Twelve annual payments
Total known proceeds	**2024 to 2047**	**$2,891,209**	**100.0%**	**Excludes sale / refinance**

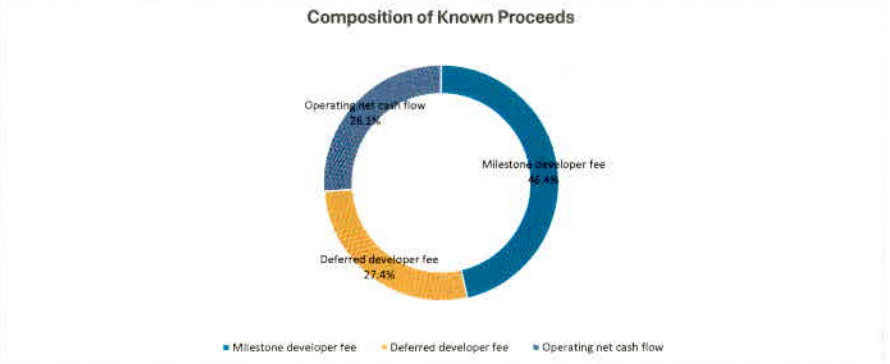
BOARD TAKEAWAYS

- 73.9% of currently quantified SHA proceeds come from developer fee participation.
- The largest known annual payment is the Mar-26 milestone at approximately $489,420.
- Operating cash flow begins in 2036 and contributes $755,707 through 2047.
- SHA also participates in 25% of sale / refinance proceeds; value remains to be negotiated.
- The source schedule indicates a likely exit in Years 15–16 (2042–2043).

ANNUAL SHA PAYMENT SCHEDULE

Period	Milestone fee	Deferred fee	Net cash flow	Total known
Jan-24	$335,495	$0	$0	$335,495
Mar-25	$134,198	$0	$0	$134,198
Mar-26	$489,420	$0	$0	$489,420
Apr-27	$382,867	$0	$0	$382,867
2028	$0	$82,213	$0	$82,213
2029	$0	$91,595	$0	$91,595
2030	$0	$95,737	$0	$95,737
2031	$0	$99,626	$0	$99,626
2032	$0	$98,331	$0	$98,331
2033	$0	$101,489	$0	$101,489
2034	$0	$104,334	$0	$104,334
2035	$0	$106,845	$0	$106,845
2036	$0	$13,353	$45,960	$59,313
2037	$0	$0	$65,001	$65,001
2038	$0	$0	$65,787	$65,787
2039	$0	$0	$70,056	$70,056
2040	$0	$0	$70,446	$70,446
2041	$0	$0	$70,557	$70,557
2042	$0	$0	$74,506	$74,506
2043	$0	$0	$52,779	$52,779
2044	$0	$0	$55,796	$55,796
2045	$0	$0	$58,749	$58,749
2046	$0	$0	$61,631	$61,631
2047	$0	$0	$64,439	$64,439
TOTAL KNOWN PROCEEDS		**$793,523**	**$755,707**	**$2,891,209**





IMPORTANT QUALIFICATION

Sale / refinance proceeds are excluded from known totals because the amount is still to be negotiated. The source schedule applies a 25% SHA share and anticipates a likely transaction in 2042–2043.