
ISLAND HOUSING TRUST GROUND LEASE

THIS LEASE (this "Lease") made and entered into this _____ day of _____, 20____, by and between ISLAND HOUSING TRUST CORPORATION, a Massachusetts non-for-profit corporation ("IHT" or "Lessor") and _____ ("Lessee").

- Article 1: Letters of Stipulation and Acknowledgement
- Article 2: Demise of Leased Premises
- Article 3: Duration of Lease
- Article 4: Use of Leased Premises
- Article 5: Ground Lease Fee
- Article 6: Taxes and Assessments
- Article 7: Improvements
- Article 8: Financing
- Article 9: Liability, Insurance, Damage and Destruction, Eminent Domain
- Article 10: Transfer, Sale, or Disposition of Improvements
- Article 11: Assignment and Sublease
- Article 12: Default
- Article 13: Arbitration
- Article 14: General Provisions

The following Exhibits are attached hereto and made a part of this Lease:

- Exhibit A - Letter(s) of Stipulation of Lessee
- Exhibit B - Letter of Acknowledgement of Lessee's Attorney
- Exhibit C - Leased Premises (Legal Description of Property)
- Exhibit D - First Refusal
- Exhibit F - Bill of Sale and Deed
- Exhibit G - Permitted Mortgages

RECITALS

WHEREAS, the IHT is organized exclusively for charitable purposes, including: the development and preservation of decent, affordable housing and the creation of homeownership opportunities for low- and moderate-income people who otherwise would be denied such opportunities because of limited financial resources; and

WHEREAS, a goal of the IHT is to stimulate the conveyance of decent, affordable housing among low- and moderate-income people by providing access to housing for such persons at affordable prices through the long-term leasing of land under said housing; and

WHEREAS, the Leased Premises described in this Lease have been acquired and are being leased by the IHT in furtherance of these charitable purposes; and

WHEREAS, Lessee shares the purposes and goals of the IHT and has agreed to enter into this Lease not only to obtain those benefits to which Lessee is entitled under this Lease, but also to further the charitable purposes of Lessor; and

WHEREAS, Lessor and Lessee recognize the special nature of the terms and conditions of this Lease, and each of them, with the independent and informed advice of legal counsel, freely accepts these terms and conditions, including those terms and conditions that may affect the marketing and resale price of any Improvements (as such term is hereinafter defined in Section 7.1), on the Leased Premises; and

WHEREAS, it is mutually understood and accepted by Lessor and Lessee that the terms and conditions of this Lease further their shared goals over an extended period of time and through a succession of owners;

NOW THEREFORE, in consideration of the foregoing recitals, of mutual promises of Lessor and Lessee, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lessor and Lessee agree as follows:

ARTICLE 1: Letters of Stipulation and Acknowledgment

Attached and made part of this Lease by reference are Exhibit A, Letter of Stipulation of Lessee, and Exhibit B, Letter of Acknowledgment of Lessee's Attorney, setting forth their respective review and understanding of this Lease (in particular, Article 10, regarding the transfer, sale, or disposition of the Improvements) and related documents for this transaction.

ARTICLE 2: Demise of Leased Premises

2.1 PREMISES: Lessor, in consideration of the rents reserved and the terms and conditions of this Lease, does hereby demise and leave unto Lessee, and Lessee does hereby take and hire from Lessor, the property (referred to in this Lease as the "Leased Premises") described in the attached Exhibit C, Leased Premises. Lessor has furnished to Lessee a copy of the most current, if any, title report previously obtained by Lessor for the Leased Premises, and Lessee accepts title to the Leased Premises in their condition "as is" as of the execution of this Lease.

2.2 RESERVATION OF MINERAL RIGHTS: Lessor reserves to itself all the minerals and other extractive resources of the Leased Premises. This reservation shall not diminish the right of Lessee under this Lease to occupy and freely use the Leased Premises. No extraction by Lessor of minerals or other extractive resources shall be carried out with without Lessee's prior written consent.

ARTICLE 3: Duration of Lease

3.1 TERM: The term of this Lease shall be ninety-nine (99) years, commencing on the ____ day of _____, 20__, and terminating on the _____ day of _____, 20__, unless terminated sooner as provided below.

3.2 CHANGE OF LESSOR; LESSEE'S RIGHT TO PURCHASE: In the event that ownership of the land comprising the Leased Premises (the "Land") is conveyed or transferred (whether voluntarily or involuntarily) by Lessor to any other person or entity, this Lease shall

not cease, but shall remain binding and unaffected. However, in the event Lessor desires or attempts to convey the Land to any person or entity other than a nonprofit corporation, charitable trust, municipality, governmental agency or other similar entity sharing the goals described in the Recitals above (or as security for a mortgage loan), Lessee shall have a right of first refusal to purchase the Land. This right shall be as specified in the attached Exhibit D, First Refusal. Any sale or other transfer contrary to this Section, when applicable, shall be null and void.

ARTICLE 4: Use of Leased Premises

4.1 RESIDENTIAL USE ONLY: Lessee shall use, and shall cause all occupants to use, the Leased Premises and Improvements only for residential purposes and any incidental activities related to residential use that are permitted by applicable law and regulations

4.2 RESPONSIBLE USE AND COMPLIANCE WITH LAW: Lessee shall use the Leased Premises in a manner so as not to cause harm to others or create any nuisances, public or private; and shall dispose of any and all waste in a safe and sanitary manner. Lessee shall maintain the Leased Premises and Improvements in good, safe, and habitable condition in all respects, in full compliance with all applicable laws and regulations, and in such condition as is required to maintain the insurance coverage required by Section 9.4 of this Lease.

4.3 RESPONSIBLE FOR OTHERS: Lessee shall be responsible for the use of the Leased Premises by all residents and their families, friends and visitors and anyone else using the Leased Premises with their consent and shall make all such people aware of the spirit, intent and appropriate terms of this Lease.

4.4 OCCUPANCY: Lessee shall occupy the Leased Premises for at least eleven (11) months of each year of this Lease, unless otherwise agreed by Lessor.

4.5 INSPECTION: Lessor may inspect any portion of the Leased Premises except the interior(s) of Lessee's Improvements, at any reasonable time, upon at least forty-eight (48) hours' oral notice to Lessee. In the event of emergency, Lessor may inspect any portion of the Leased Premises except the interior(s) of Lessee's Improvements without notice provided Lessor shall have made reasonable efforts to give advance notice to Lessee.

4.6 LESSEE'S RIGHT TO PEACEFUL ENJOYMENT: Lessee has the right to undisturbed enjoyment of the Leased Premises, and Lessor has no desire or intention to interfere with the personal lives, associations, expressions, or actions of Lessee, subject to the provisions of this Lease.

ARTICLE 5: Ground Lease Fee

5.1 GROUND LEASE FEE: In consideration of the possession, continued use, and occupancy of the Leased Premises, Lessee shall pay to Lessor a monthly ground lease fee (the "Ground Lease Fee") of fifty dollars (\$50.00).

5.2 PAYMENT OF GROUND LEASE FEE: The Ground Lease Fee shall be payable to Lessor, at the address specified in this Lease as Lessor's address, on the first day of each month for as long as this Lease remains in effect, unless, with Lessor's prior written consent, the Ground Lease Fee is to be escrowed by a Permitted Mortgagee, in which case

payment shall be made as specified by that Mortgagee. If this Lease commences on a day other than the first of the month, a pro-rata portion of the Ground Lease Fee shall be paid for the balance of the month at the time this Lease is executed.

In the event that any amount of payable Ground Lease Fee remains unpaid when the Improvements are sold and this Lease is terminated or assigned to another party, the amount of payable Ground Lease Fee shall be paid to Lessor out of any proceeds from the sale of the Improvements otherwise due to Lessee at the time of such sale.

5.3 CALCULATION OF GROUND LEASE FEE: The Ground Lease Fee specified in Section 5.1 above has been calculated as follows. First, an amount approximating the monthly fair market rental value of the Leased Premises has been established, current as of the commencement of the lease term, recognizing that the use of the Leased Premises is restricted by some of the provisions of this Lease. Then the affordability of this monthly amount for Lessee has been analyzed and, if necessary, the amount has been reduced to yield the amount stated in Section 5.1 above, which has been determined to be affordable for Lessee.

5.4 REDUCTION, DELAY OR WAIVER OF GROUND LEASE FEE: Lessor may reduce, delay or waive entirely the Ground Lease Fee at any time and from time to time for the purpose of ensuring affordable monthly housing costs for Lessee. Any such reduction, delay, or waiver must be in writing and signed by Lessor before being effective and no such adjustment or waiver in one instance will be binding in other instances.

5.5 ADJUSTMENT OF GROUND LEASE FEE: The Ground Lease Fee stated in Section 5.1 above, as adjusted in the way provided below, shall be applicable during the term of this Lease. However, in the event that, for any reason, the provisions of Article 10 or Article 11 regarding transfers of the Improvements or Section 4.4 regarding occupancy are suspended or invalidated for any period of time, then during that time, at the option of Lessor, the Ground Lease Fee shall be increased to an amount calculated by Lessor to equal the fair rental value of the Leased Premises for use not restricted by the provisions of the suspended portions of this Lease. In such event, Lessor shall notify Lessee of the amount reasonably calculated in this way, and the Ground Lease Fee shall then be this amount as of the first day of the month immediately following such notice.

In order to keep the Ground Lease Fee reasonably current, the amount specified in Section 5.1 (and the amount specified in the preceding paragraph) shall be subject to adjustment in the year 2006 and every five years thereafter during the term of this Lease, provided any increase in the Ground Lease fee shall not exceed an effective annual increase of three percent (3%). At such intervals, the amount shall be recalculated through such reasonable process as Lessor shall choose, based upon the standards set forth in Sections 5.3 and 5.4 above. Lessor shall notify Lessee promptly upon recalculation of the new Ground Lease Fee amount. Upon the final determination of the recalculated Ground Lease Fee in accordance with the terms of this Section, Lessor shall maintain in its file a certification of the amount of such recalculated Ground Lease Fee and the process by which it was determined.

ARTICLE 6: Taxes and Assessments

6.1 TAXES AND ASSESSMENTS: Lessee shall be responsible for payment of all taxes and governmental assessments that relate to the Improvements and the Leased Premises. Lessee shall also pay directly, when due, all other service bills, utility charges, or other governmental assessments charged against the Leased Premises.

6.2 TAXES ON LEASED PREMISES: In the event that the local taxing authority bills Lessor for the taxes on the Leased Premises, Lessor shall pass the responsibility for this expense to Lessee and Lessee shall promptly pay this bill.

6.3 LESSEE'S RIGHT TO CONTEST: Lessee shall have the right to contest the amount or validity of any taxes relating to the Improvements and Leased Premises. Lessor shall, upon written request by Lessee, join in any such proceedings if Lessee reasonably determines that it is necessary or convenient for Lessor to do so. All other costs and expenses of such proceedings shall be paid by Lessee.

6.4 PAYMENTS IN EVENT OF DELINQUENCY: In the event that Lessee fails to pay the taxes or other charges specified in Section 6.1 above, Lessor may increase, but shall not be obligated to increase, Lessee's Ground Lease Fee in an amount that will offset the cost of any delinquent and current taxes or other charges relating to the Improvements and Leased Premises. Upon collecting any such amount, Lessor shall pay the amount collected to the taxing authority in a timely manner or reimburse itself for any payments made by it on Lessee's behalf.

6.5 PROOF OF COMPLIANCE: Concurrently with the payment of any taxes, assessments, and charges required or permitted by the provisions of this Lease, Lessor may require Lessee to furnish evidence satisfactorily documenting the payment of such charges. A photocopy of a receipt for such charges showing payment prior to the due date shall be the usual method of furnishing such evidence.

ARTICLE 7: Improvements

7.1 OWNERSHIP: It is agreed that all buildings, structures, fixtures, and other Improvements purchased by Lessee or constructed or placed by Lessee on any part of the Leased Premises at any time during the term of this Lease (the "Improvements") shall be property of Lessee. Title to such Improvements shall be and remain vested in Lessee. However, Lessee's exercise of the rights of ownership is subject to the provisions of this Lease, including but not limited to provisions regarding the disposition of Improvements by Lessee and Lessor's option to purchase the Improvements. In addition, Lessee shall not sever or move the Improvements from the Land.

7.2 PURCHASE OF IMPROVEMENTS BY LESSEE: Lessee is simultaneously purchasing the Improvements now located on the Leased Premises and described in the Bill of Sale and Deed, the form of which is annexed to this Lease as Exhibit F, Bill of Sale and Deed.

7.3 ALTERATION AND ADDITIONS: Any construction in connection with an existing or new Improvement is subject to the following conditions: (a) all costs shall be borne and paid for by Lessee; (b) all construction shall be performed in a workman manner and shall comply with all applicable laws and regulations; (c) all construction shall be consistent with the permitted uses set forth in Article 4; and (d) the addition of bedroom(s) and bathroom(s)

intended to qualify for Added Value (as such term is defined in Section 10.10 below), in accordance with Article 10.10 shall not be constructed without prior review by Lessor as described in the following paragraph

If Lessee wishes to undertake construction of an addition (the "Addition") with the intention of providing for a larger household size and thereby qualifying for "Added Value" as such term is defined in Section 10.10 below, Lessee shall, prior to undertaking the Addition, submit to Lessor a written request for a confirmation that the Addition will qualify for Added Value. Such request shall include a description of the proposed Addition and reasonably detailed drawings indicating the intended expansion and reconfiguration of the Improvements. Lessor may request additional information if it finds such information will be necessary for a reasonable determination. Lessor shall deliver a conditional confirmation that the Addition will result in Added Value if all of the following conditions will be met: (a) the total number of rooms to be designated as bedrooms upon the completion of Addition will be increased, (b) the total living area within the Improvements will increase by at least 100 square feet, and (c) all rooms to be designated as bedrooms upon the completion of the Addition shall be approved as bedrooms under applicable building codes. If all such conditions will not be met, Lessor may, at its sole discretion, give or refuse to give a conditional confirmation that the Addition will nonetheless qualify for Added Value. Any conditional confirmation shall become a final confirmation only upon Lessee's delivery to Lessor of all building permits necessary for the Addition. Upon delivery of the permits necessary for final confirmation, Lessor shall issue a "Certificate of Added Value" and shall give Lessee one copy of such Certificate and shall file another copy of such Certificate in its permanent records.

7.4 INITIAL CONSTRUCTION BY LESSEE: If Lessee has agreed to undertake the initial construction of the Improvement(s) (the "Initial Construction"), Lessor shall limit the total development value of such Initial Construction (the "Total Development Value") for purposes of calculating the Formula Price (as defined in Section 10.8), pursuant to the terms of Section 10.10 below, as follows: the Total Development Value shall not exceed ninety percent (90%) of an amount established so that an Income-qualified Person, as defined in Article 10.2, would pay no more than thirty percent (30%) of the median income for Dukes County, as calculated and adjusted for household size by the U. S. Department of Housing and Urban Development or any successor agency thereto ("HUD") as of the commencement of the term of this Lease, for the sum of annual debt service for a mortgage of 90% of the Total Development Value (including principal and interest), property taxes, insurance, ground lease fee and any homeowner association fee. After determining the amount of the Total Development Value in accordance with this Section, Lessor shall deliver a "Certificate of Total Development Value" to Lessee for use as necessary in calculating the aforesaid Formula Price and shall file another copy of such Certificate in its permanent records.

Any construction in connection with Initial Construction is subject to the following conditions: (a) all costs shall be borne and paid for by Lessee; (b) all construction shall be performed in a workman manner and shall comply with all applicable laws and regulations; (c) all construction shall be consistent with the permitted uses set forth in Article 4; and (d) after the occupancy permit has been issued, the construction of any Addition shall be undertaken

only after prior review by Lessor and in accordance with the provisions set forth in Section 7.3 above.

7.5 PROHIBITION OF LIENS: Except for Permitted Mortgages, as defined herein, no lien of any type shall attach to Lessor's title to the Land or to Lessor's interest in the Leased Premises or to any other property owned by Lessor. Lessee shall not permit any statutory or similar lien to be filed against the Premises, the Improvements, or any interest of Lessor or Lessee that remains more than sixty (60) days after it has been filed. Lessee shall cause any such lien to be discharged of record by payment, deposit, bond, order of a court of competent jurisdiction, or as otherwise permitted by law. If Lessee fails to cause such lien to be discharged within the 60-day period, then, in addition to any other right or remedy, Lessor may, but shall not be obligated to, discharge the lien by paying the amount in question. Lessee may, at Lessee's expense, contest the validity of any such asserted lien, provided Lessee has furnished a bond in an amount sufficient to release the Leased Premises from such lien. Any amounts paid by Lessor to discharge such liens shall be deemed to be an additional Ground Lease Fee payable by Lessee upon demand.

7.5 MAINTENANCE AND SERVICES: Lessee shall, at Lessee's sole expense, maintain the Leased Premises and all Improvements as required by Section 4.2 above. Lessor shall not be required to furnish any services or facilities, including but not limited to heat, electricity, air conditioning, or water, or to make any repairs to the Leased Premises or Improvements, and Lessee hereby assumes the sole responsibility for furnishing all services or facilities.

7.6 DISPOSITION OF IMPROVEMENTS UPON EXPIRATION OF LEASE TERM: Upon the expiration of the term of this Lease as such term may be sooner terminated in accordance with this Lease, Lessee shall surrender the Improvements together with the Leased Premises to Lessor. Ownership of the Improvements shall thereupon revert to Lessor, provided, however, that Lessor shall promptly pay to Lessee as consideration for the Improvements an amount equal to Lessor's Purchase Option Price calculated in accordance with Article 10 below, as of the time of reversion of ownership, less the total amount of any unpaid Ground Lease Fee including any charges that may have been added to the Ground Lease Fee in accordance with this Lease.

ARTICLE 8: Financing

8.1 PERMITTED MORTGAGE: Lessee may mortgage the Leased Premises or grant a security interest in the Improvements, either for the purchase or refinance of Improvements located thereon, only with the prior written consent of Lessor and only pursuant to a mortgage or other security instrument satisfying all of the requirements for a "Permitted Mortgage," as hereinafter defined in the attached Exhibit G, Permitted Mortgages. Not less than thirty (30) days (or such shorter period as may be approved by the Lessor) prior to the date on which Lessee (or a prospective Lessee who has contracted to purchase the Improvements) requests Lessor's consent to a mortgage or other security instrument to be effective, Lessee (or prospective Lessee) shall furnish to Lessor copies of every document to be executed in connection with the transaction represented by such mortgage and/or security instrument. Lessor may choose to consent to any mortgage and/or security interest, and in so doing shall designate such mortgage and/or security interest as a "Permitted Mortgage." However, Lessor shall be required to consent to a mortgage and/or security interest only if (a) at the time such copies of documents are submitted and at the

time proposed by Lessee (or prospective Lessee) for the execution of such documents, no default under this Lease is then outstanding; and (b) the mortgage and/or security interest so submitted is a Permitted Mortgage as defined in the attached Exhibit G, Permitted Mortgages. Lessee shall pay to Lessor at Lessor's option, as additional Ground Lease Fee, all fees, costs, and expenses, including, without limitation, reasonable attorneys' fees, incurred by Lessor in connection with any Permitted Mortgage.

8.2 RIGHTS OF PERMITTED MORTGAGEE: Any holder of a Permitted Mortgage ("Permitted Mortgagee") shall without requirement of consent by Lessor have the rights identified and defined in Section B of the attached Exhibit G, Permitted Mortgages.

8.3 REMOVAL OF CERTAIN PROVISIONS PURSUANT TO FORECLOSURE: In the event of foreclosure sale by a Permitted Mortgagee or the delivery of a bill of sale and deed to a Permitted Mortgagee in lieu of foreclosure in accordance with the provisions of this Lease, at the election of the Permitted Mortgagee the provisions of Article 10, Sections 10.1 through 10.11 shall be deleted and thereupon a bill of sale and deed to a Permitted Mortgagee in lieu of foreclosure or other remedy exercised by a Permitted Mortgagee the effect of which is to divest Lessee of title to the Leasehold Premises or the Improvements after default by Lessee under such Permitted Mortgagee's lending documents in accordance with the provisions of this Lease, at the election of the Permitted Mortgagee all or parts of the provisions of Article 10, Sections 10.1 through 10.12, inclusive, and Article 14, Section 14.5, shall be of no further force or effect as to only so much of the Security (as such term is defined in the attached Exhibit G), so foreclosed upon or transferred.

8.4 LESSOR'S RIGHT TO PROCEEDS IN EXCESS OF PURCHASE OPTION PRICE: The parties recognize that it would be contrary to the fundamental concept of this Lease and an incentive to abuse Lessee's authorization to encumber its leasehold interest with a Permitted Mortgage if Lessee could realize more than the Purchase Option Price as the result of any foreclosure of any mortgage. Accordingly, Lessee hereby irrevocably assigns to Lessor any and all net proceeds of sale of the Improvements remaining after payment of costs of foreclosure and satisfaction of the lien of any Permitted Mortgagee which would otherwise have been payable to Lessee, to the extent such net proceeds exceed the net proceeds that Lessee would have received had the property been sold for the Purchase Option Price established in Article 10 of this Lease, and authorizes and instructs the Permitted Mortgagee or any party conducting any sale to pay the amount of said excess proceeds directly to Lessor. In the event that, for any reason, such excess proceeds are paid to Lessee, Lessee hereby agrees to promptly pay the amount of such excess proceeds to Lessor.

8.5 AMENDMENTS SUBJECT TO APPROVAL BY PERMITTED MORTGAGEE: Any amendments to this Lease shall be subject to the written approval of Permitted Mortgagee, which approval shall not be unreasonably withheld or delayed. The passage of thirty (30) days after submittal to Permitted Mortgagee of a proposed amendment without approval or disapproval by Permitted Mortgagee shall be deemed approval thereof

ARTICLE 9: Liability, Insurance, Damage and Destruction, Eminent Domain

9.1 LESSEE'S LIABILITY: Lessee assumes sole responsibility and liability to all persons and authorities related to its possession, occupancy, and use of the Leased Premises and/or the Improvements.

9.2 INDEMNIFICATION OF LESSOR: Lessee shall defend, indemnify, and hold Lessor harmless against all liability and claims of liability for injury or damage to person or property from any cause on or about the Leased Premises. Lessee waives all claims against Lessor for such injury or damage. However, Lessor shall remain liable (and Lessee shall not indemnify and defend Lessor against such liability or waive such claims of liability) for injury or damage due to the negligent or intentional acts or omissions of Lessor or Lessor's agents or employees.

9.3 PAYMENT BY LESSOR: In the event Lessor shall be required to pay any sum that is Lessee's responsibility or liability, Lessee shall reimburse Lessor for such payment and for reasonable expenses caused thereby.

9.4 INSURANCE: Lessee shall, at Lessee's sole expense, keep all Improvements continuously insured against loss or damage under the comprehensive special form of insurance for the full replacement value of such Improvements. The dollar amounts of this coverage shall be adjusted at two (2)-year intervals, beginning on the date this Lease is signed, or upon Lessor's demand given not more often than annually, upon thirty (30) days' notice to Lessee. This adjustment to the coverage shall be equal to the adjusted building replacement cost, excluding design or permit fees, excavation, site prep, and other underground work).

Lessee shall, at Lessee's sole expense, maintain continuously in effect personal liability insurance covering the Leased Premises and Improvements in the amounts of not less than five hundred thousand dollars (\$500,000) for injury or death to persons or property damage to property of others. Lessee shall be responsible for promptly paying the Lessor the cost of liability insurance for the premises carried by and for the benefit of the Lessor.

Lessee shall provide Lessor with copies of all policies and renewals of policies. All policies shall also contain endorsements providing that they shall not be cancelled, reduced in amount or coverage or otherwise modified by the insurance carrier involved without at least thirty (30) days' prior written notice to Lessee. Lessor shall be entitled to participate in the settlement or adjustment of any losses covered by such policies of insurance.

9.5 DAMAGE OR DESTRUCTION: Except as provided below, in the event of fire or other damage to the Improvements, Lessee shall take all steps necessary to ensure the repair of such damage and the restoration of the Improvements to their condition immediately prior to the damage. All such repairs and restoration shall be completed as promptly as possible. Lessee shall also promptly take all steps necessary to ensure that the Leased Premises are safe and that the damaged Improvements do not constitute a danger to persons or property.

If Lessee, using reasonable judgment and relying on professional estimates, determines either (a) that full repair and restoration is physically impossible, or (b) that the available insurance proceeds will pay for less than eighty percent (80%) of the cost of repair and restoration (provided Lessee has fulfilled all the hazard insurance requirements set forth in Section 9.4 above), then Lessee may terminate this Lease by written notice to Lessor given not later than sixty (60) days after the event that caused the damage. However, such termination shall not be effective until ninety (90) days after the date upon which the notice is received by Lessor. During this ninety (90) period, Lessor may seek an adjustment from the insurer so as to increase the available insurance proceeds to an amount covering at

least eighty percent (80%) of the cost of repair and restoration. If successful in securing such adjustment, Lessor may render Lessee's termination notice null and void by written notice to Lessee within such forty-five (45)-day period. If Lessor fails to nullify the termination notice in this way, then this Lease shall terminate at the expiration of the ninety (90) day period, and any insurance proceeds payable to Lessee on account of such damage shall be paid as provided below.

The insurance proceeds shall be paid first to cover any expenses of collecting the proceeds. Remaining proceeds shall be paid first to Permitted Mortgagee to the extent required by the Permitted Mortgage, with the balance then paid to the Lessee, provided that the total amount paid to the Lessee and the Permitted Mortgagee does not exceed the then applicable Lessor's Purchase Option Price (as of immediately prior to the damage) calculated according to the provisions of Article 10 below. The balance of such proceeds, if any, shall be paid to Lessor.

9.6 EMINENT DOMAIN AND PUBLIC DEDICATION: In the event of a taking of the Leased Premises, either in its entirety or to such extent that the Improvements are lost or damaged beyond repair, by reason of eminent domain or other action of public authority prior to the expiration of this Lease, this Lease shall terminate as of the date Lessee is required to give up possession of the Leased Premises or Improvements, and the entire amount of any award(s) paid shall be allocated in the way described in Section 9.5 above for insurance proceeds.

In the event of a taking of a portion of the Leased Premises that does not result in damage to the Improvements or substantial reduction in the usefulness or desirability of the Improvements for residential purposes, then any monetary compensation for such taking shall be allocated entirely to Lessor.

In the event of a taking of a portion of the Leased Premises that results in damage to the Improvements only to such an extent that the Improvements can reasonably be restored to a residential use consistent with this Lease, Lessor may in its discretion allocate some or all the monetary compensation to enable Lessee to accomplish such a restoration. Any balance remaining after or in the absence of such allocation shall be allocated as provided above for a taking of the entire Leased Premises.

Any and all proceedings brought by a party in connection with any damages as a result of any taking referred to in this Section shall be conducted at the sole expense of such party. If any provision of law requires that such proceedings be brought by or in the name of any owner or lessee of the premises, such party shall join in such proceedings or permit the same to be brought in its name. Each party agrees to do all acts and to execute all documents that may be required to enable the other to maintain such proceedings. If the party required to join in the proceedings incurs any cost or expense in doing so, such party shall be entitled to reasonable reimbursement and this entitlement shall constitute a first charge against any award.

9.7 REASSESSMENT OF RENTAL VALUE: In the event of any taking that reduces the size of the Leased Premises but does not result in the termination of this Lease, Lessor shall reassess the fair rental value of the remaining Leased Premises and shall adjust the Ground

Lease Fee if necessary to ensure that the monthly fee does not exceed the monthly fair rental value of the premises for use as restricted by this Lease.

9.8 RELOCATION OF LESSEE: In the event of a termination of this Lease as a result of damage, destruction or taking, Lessor may, but shall not be obligated to grant Lessee a leasehold interest, similar to the interest created by this Lease, in another tract that it owns, if such other tract can reasonably be made available. In accepting such a leasehold interest, Lessee agrees to contribute any proceeds or award received by Lessee to purchase or develop Improvements on such tract. Lessor's failure to supply such a leasehold interest shall not give rise to any cause of action by Lessee against Lessor.

ARTICLE 10: Transfer, Sale, or Disposition of Improvements

10.1 INTENT: It is the understanding of the parties that the terms of this Lease, and in particular of this Article 10, are intended to preserve the affordability of the Improvements for lower-income households and expand access to homeownership opportunities for such households.

10.2 TRANSFERS TO INCOME-QUALIFIED PERSONS: Lessee may sell, transfer or otherwise dispose of its interest in the Leased Premises or the Improvements only to Lessor or an Income-qualified Person as defined below or otherwise only as explicitly permitted by the provisions of this Article 10. All such sales, transfers and other dispositions shall be subject to the price limitations set forth herein, including, without limitation, those set forth in Article 11, and to Lessor's review and purchase option rights, as hereinafter set forth in this Article 10. Any purported sale, transfer or other disposition done without following the procedures set forth below or in violation of such price limitations (except in the case of a sale, transfer or other disposition to a Permitted Mortgagee in lieu of foreclosure in accordance with Section 8.3 above) shall be null and void.

"Income-qualified Person" shall mean a person or group of persons whose household income does not exceed _____ of the median household income for Dukes County as calculated and adjusted for household size from time to time by HUD.

10.3 TRANSFER TO LESSEE'S HEIRS: Upon receipt of notice from the executor of the decedent's estate given within ninety (90) days of the death of Lessee (or the last surviving co-owner of the Improvements) Lessor shall, unless for good cause shown, consent to a transfer of the Improvements and an assumption of this Lease to and by one or more of the possible heirs of Lessee listed below as "a," "b," or "c" (each such party hereinafter a "Permitted Heir" and, collectively, "Permitted Heirs"), provided that a Letter of Stipulation and a Letter of Acknowledgment of legal counsel (similar to those described in Article 1 of this Lease), setting forth such Permitted Heirs' review, understanding and acceptance of the terms of this Lease, are submitted to Lessor to be attached to this Lease when it is transferred to such Permitted Heirs.

- a. the spouse of Lessee; or
- b. the child or children of Lessee; or

c. Lessee's domestic partner who is one of two people, the other being Lessee, who maintain the same permanent residence and have a close and committed personal relationship involving shared responsibilities for each other's welfare as evidenced by financial interdependence, and expressing the intention for their relationship to be permanent.

Any other heirs, legatees or devisees of Lessee must, in addition to submitting Letters of Stipulation and Acknowledgment as provided above, demonstrate to Lessor's reasonable satisfaction that they are Income-qualified Persons as defined above, or, if unable to do so, shall not be entitled to possession of the Improvements and Leased Premises and must transfer the Improvements and Leased Premises in accordance with the provisions of this Article 10.

Notwithstanding the foregoing, Lessee may make a recommendation in its will or other written instrument that this Lease be transferred to the party specified therein upon the death of Lessee, which recommendation Lessor may, but shall not be obligated to, accept, as Lessor may elect, in its sole discretion.

10.4 LESSEE'S NOTICE OF INTENT TO SELL: Except in the case of a sale, transfer or other disposition to a Permitted Mortgagee in lieu of foreclosure, in the event that Lessee contemplates an assignment of its interest herein or a sale, transfer or other disposition of the Improvements to a third party (any of the foregoing being a "Transfer"), Lessee shall notify Lessor, in writing, of such wish (the "Intent-To-Sell Notice"). Such Intent-To-Sell Notice shall include a statement as to whether Lessee wishes to recommend a prospective buyer as of the date of the Notice.

10.5 LESSOR'S PURCHASE OPTION: Upon receipt of an Intent to Sell Notice from Lessee, Lessor shall have the option to purchase the Improvements (the "Purchase Option") at the Purchase Option Price calculated as set forth below.

The Purchase Option is designed to further the purpose of preserving the affordability of the Improvements for succeeding Income-qualified Persons while taking fair account of the investment by Lessee.

If Lessor elects to purchase the Improvements, Lessor shall exercise the Purchase Option by notifying Lessee, in writing, of such election (the "Notice of Exercise of Option") within forty-five (45) days of the receipt of the Intent-To-Sell Notice or forty-five (45) days following Lessor's receipt of an appraisal carried out in accordance with Section 10.9, whichever shall be the later to occur, or the Purchase Option shall expire. Having given such notice, Lessor may either proceed to exercise the Purchase Option directly by purchasing the Improvements, or may assign the Purchase Option to an Income-qualified Person.

The purchase (by Lessor or Lessor's assignee) must be completed within sixty (60) days of Lessor's Notice of Exercise of Option, or Lessee may sell the Improvements as provided in Section 10.6 below. The time permitted for the completion of the purchase may be extended by mutual agreement of Lessor and Lessee.

Lessee may recommend to Lessor a prospective buyer who is an Income-qualified Person and is prepared to submit Letters of Stipulation and Acknowledgment indicating informed

acceptance of the terms of this Lease. Lessor may, but shall not be obligated to, accept, such recommendation from Lessee, as Lessor may elect, in its sole discretion.

10.6 IF PURCHASE OPTION EXPIRES: If the Purchase Option has expired or if Lessor has failed to complete the purchase within the 60-day period allowed by Section 10.5 above, Lessee may transfer the Improvements and this Lease to any Income-qualified Person, for not more than the then applicable Purchase Option Price. If, six months after the expiration of the Purchase Option or the expiration of said 60-day period, the Improvements still have not been Transferred, Lessee may Transfer the Improvements and this Lease, for not more than the then applicable Purchase Option Price, to any party regardless of whether that party is an Income-qualified Person.

10.7 LESSOR'S POWER OF ATTORNEY TO CONDUCT SALE: In the event Lessor does not exercise its Purchase Option and complete the purchase of the Improvements as set forth above, and Lessee (a) is not then residing in the Improvements and (b) continues to hold the Improvements out for sale but is unable to locate a buyer and execute a binding purchase and sale agreement within one (1) year of the giving of the Intent to Sell Notice, Lessee does hereby appoint Lessor its attorney in fact to seek a buyer, negotiate a reasonable price that furthers the goals set forth in this Lease; Transfer the Improvements and distribute proceeds of sale, minus Lessor's costs of sale and reletting and any other sums owed Lessor by Lessee.

10.8 PURCHASE OPTION PRICE: In no event may the Improvements be transferred for a price that exceeds the Purchase Option Price. The Purchase Option Price shall be equal to the lesser of (a) the value of the Improvements as determined by the Appraisal commissioned and conducted at the discretion of Lessor as provided in 10.9 below or (b) the price calculated in accordance with the formula described below (the "Formula Price").

10.9 APPRAISAL: No later than ten (10) days after Lessor's receipt of Lessee's Intent-To-Sell Notice, a market valuation of the Leased Premises and the Improvements (the "Appraisal") may be commissioned at the discretion of Lessor to be performed by a mutually acceptable and duly licensed appraiser. If Lessor and Lessee cannot agree to a mutually acceptable appraiser, Lessor may invoke arbitration pursuant to Article 13 and the third arbitrator (as that term is used in Article 13) shall be an experienced real estate appraiser who shall conduct the Appraisal. Lessor shall commission and pay the cost of such Appraisal. The Appraisal shall be conducted by analysis and comparison of comparable properties as though title to Land and Improvements were held in fee simple absolute, disregarding the restrictions of this Lease on the use of the Land and the Transfer of the Improvements. The Appraisal shall state the values contributed by the Land and by the Improvements as separate amounts. Copies of the Appraisal are to be provided to both Lessor and Lessee.

10.10 CALCULATION OF THE FORMULA PRICE: The Formula Price shall be equal to the Base Price (Lessee's Purchase Price plus the Added Value, or, if Lessee has undertaken the Initial Improvements pursuant to Section 7.4 above, the Total Development Value, plus the Added Value) plus the Inflation Adjustment, calculated as described below.

- **Base Price:** The parties agree that the Base Price is the Purchase Price plus the Added Value or the Total Development Value plus the Added Value, as may be applicable.

- *Lessee's Purchase Price or Total Development Value:* The parties agree that Lessee's Purchase Price for the Improvements existing on the Leased Premises as of the commencement of the term of this Lease or the Initial Construction undertaken by Lessee in accordance with Section 7.4 hereof _____.

- *Added Value:* shall be recognized if Lessee has increased the number of bedrooms in the Improvements by the addition of an Addition with the result that a Certificate of Added Value has been issued by Lessor in accordance with Section 7.3 hereof. For purposes of determining the Added Value, a household of two shall be deemed an appropriate size household for a one bedroom dwelling, a household of three shall be deemed an appropriate size household for a two bedroom dwelling, a household of four shall be deemed an appropriate size household for a three bedroom dwelling, and a household of five shall be deemed an appropriate sized household for a four bedroom dwelling.

The parties agree that, at the time of Lessee's purchase or after completion of the Initial Construction, the Improvements contained _____ bedrooms and provided an appropriate size dwelling for a household of _____. If, at the time of resale, the number of bedrooms has been increased, the amount of the Added Value shall be determined as follows:

1. The dollar amount most recently reported by HUD at the time of resale as being _____% of AMI for Dukes County for a household of 4 (as such household size is stated above) shall be subtracted from the dollar amount most recently reported by HUD at the time of resale as being _____% of AMI for the household size appropriate for the increased number of bedrooms, thus determining the difference between the two dollar amounts. This difference shall then be divided by the aforementioned dollar amount reported by HUD for the smaller household size. The quotient of this operation shall be rounded to three (3) decimal places.

2. The resulting quotient shall be multiplied by the amount of Lessee's Purchase Price or the Total Development Value, as may be applicable. The product of this operation shall be the Added Value.

- *Inflation Adjustment:* The parties agree that the Inflation Adjustment is defined as the sum of two parts: (1) Lessee's Purchase Price or the Total Development Value, as may be applicable, times the percent change in the AMI for Dukes County since the time of purchase or Initial Construction, as may be applicable, and (2) the Added Value times the percent change in the AMI since the time of the addition of the bedroom(s). The Base Price plus the Inflation Adjustment shall be the Formula Price. The AMI shall be for Dukes County as reported by HUD. In any event, and in order to balance years of anomaly in the AMI, the increase in the index shall not be greater than an average of four percent (4%) per year. If the CPI is greater than an average of four percent (4%) per year during the period of ownership, the index shall be figured as four percent (4%) per year. In the event that HUD no longer continues to determine and promulgate an AMI or comparable figure for the region, Lessor shall reasonably select another measure of the change in consumer costs in Dukes County over the relevant time period, such other measure shall in that case be used as the index.

The Purchase Option Price determines the maximum price for which a home can be sold and is NOT a guarantee of expected sale price.

10.11 NEW LEASE: An Income-qualified Person who purchases the Improvements in accordance with the provisions of this Article 10 shall enter into a new Lease from Lessor, which new Lease shall be substantially the same as this Lease in the rights, benefits and obligations assigned to Lessee and Lessor.

10.12 DEFERRED MAINTENANCE AND CONDITION OF IMPROVEMENT AT TIME OF SALE: It is expected and understood that the Lessee maintain the Improvement in good, safe and habitable condition as outlined in Section 4.2 and 7.5 throughout the term of the Leasehold. At the time of transfer, Lessee agrees to transfer the Improvement in good, safe and habitable condition.

The Lessor shall use the Buyer's mortgage lender's requirements as the basis for identifying deferred maintenance problems, if any, that must be corrected prior to sale of the Improvement. Lessee shall complete, or cause to be completed, all required repairs identified by the mortgage lender's requirements. All work must be completed in a professional manner and prior to closing. Lessee shall bear the full cost of said repairs. All costs that cannot be paid in advance by Lessee shall be paid from Lessee's proceeds at closing.

10.13 MONITORING FEE: Lessor shall be entitled to a fee of one-half of one percent of the established sale price of the unit for the services performed monitoring the resale and transfer of this Lease. This fee shall be paid by the buyer of Lessee's interest as a closing cost at the time of closing.

ARTICLE 11: Assignment and Sublease

Except as otherwise provided in Article 8 (including Exhibit G, Permitted Mortgages) and Article 10, Lessee shall not assign, sublease, sell, or otherwise transfer or convey any of Lessee's rights under this Lease without the prior written consent of Lessor. Lessee agrees that Lessor shall have broad and full discretion to withhold such consent in order to further the mutual purposes and goals set forth in this Lease. If permission is granted, any assignment or sublease or other transfer shall be subject to the following conditions.

- a) Any such assignment or sublease shall be subject to all the terms of this Lease, including, without limitation, all prohibitions, restrictions and other provisions applicable to the sale, assignment, sublease or other transfer of the Improvements and/or this Lease as provided herein
- b) In the case of sublease, the Leased Premises and Improvements shall not be leased or subleased to any third party who is not qualified by Lessor or Lessor's agent for affordable housing, as defined by Lessor. In the case of a sublease, the rental or occupancy fee charged the sublessee shall not be more than that amount charged Lessee by Lessor, plus an amount approved by Lessor to cover cost to Lessee for the Improvements. All rents, profits or proceeds from such transaction which exceed the carrying costs of the Improvements as determined by Lessor in its sole and absolute discretion shall be paid to and be the property of the Lessor.
- c) In the case of an assignment, the total consideration for such assignment and the related sale or transfer of the Improvements shall not exceed the Purchase Option Price as calculated in accordance with Article 10 above.

ARTICLE 12: Default

12.1 MONETARY DEFAULT BY LESSEE: It shall be an event of default if Lessee fails to pay the Ground Lease Fee or other charges required by the terms of this Lease and such failure is not cured by Lessee or a Permitted Mortgagee within thirty (30) days after notice of such failure is given by Lessor to Lessee and Permitted Mortgagee. However, if Lessee shall make a good faith partial payment of at least two thirds (2/3) of the amount owed during such initial thirty (30)-day period, then such period shall be extended one additional thirty (30)-day period. The full amount of the delinquent Lease Fee or other charges must be paid at the end of this additional period. This paragraph may be used to extend payment deadlines no more than once in every twelve (12)-month period.

12.2 NONMONETARY DEFAULT BY LESSEE: It shall be an event of default if Lessee fails to abide by any other material term or condition in this Lease, and such failure is not cured by Lessee or a Permitted Mortgagee within sixty (60) days after notice of such failure is given by Lessor to Lessee and Permitted Mortgagee. However, in the case where Lessee or Permitted Mortgagee has commenced to cure such default within such sixty (60)-day period and is continuing such cure with all due diligence but cannot by the exercise of due diligence cure such default within such period, such period shall be extended for such additional period as may be reasonably required under the circumstances to complete such cure.

12.3 DEFAULT BY LESSEE RESULTING FROM JUDICIAL PROCESS: It shall be an event of default if the estate hereby created is taken on execution or by other process of law, or if Lessee is judicially declared bankrupt or insolvent according to law, or if any assignment is made of the property of Lessee for the benefit of creditors, or if a receiver, trustee in involuntary bankruptcy or other similar officer is appointed to take charge of any substantial part of Lessee's property by a court of competent jurisdiction, or if a petition is filed for the reorganization of Lessee under any provisions of the Bankruptcy Act now or hereafter enacted, or if Lessee files a petition for such reorganization, or for arrangements under any provision of the Bankruptcy Act now or hereafter enacted and providing a plan for a debtor to settle, satisfy or extend the time for payment of debts. Rights exercised by a Permitted Mortgagee shall not constitute a default under this Section 12.3.

12.4 TERMINATION: In the case of any of the events of default described above (each, hereinafter, an "Event of Default"), Lessor may terminate this Lease and initiate summary proceedings against Lessee. Pursuant to such proceedings, without demand or notice, Lessor may enter any part of the Leased Premises and repossess the entire Leased Premises, and expel Lessee and those claiming rights through Lessee and remove their effects without being guilty of any manner of trespass, and without prejudice to any remedies which might otherwise be used for arrears of rent or preceding breach of covenant. If this Lease is terminated by Lessor, or if Lessor reenters the Leased Premises pursuant to an Event of Default, Lessee agrees to pay and be liable for any unpaid Ground Lease Fee, damages which may be due or sustained prior to or in connection with such termination or reentry, and all reasonable costs, fees and expenses (including, without limitation, reasonable attorneys' fees) incurred by Lessor in pursuit of its remedies under this Lease.

If Lessor elects to terminate this Lease, then the Permitted Mortgagee shall have the right (subject to Article 8 above) to re-instate this Lease to the maximum extent necessary so as to enable the Permitted Mortgagee to exercise any or all of its rights under its mortgage.

12.5 DEFAULT BY LESSOR: Lessor shall in no event be in default in the performance of any of its obligations under this Lease unless and until Lessor has failed to perform such obligations within sixty (60) days, or such additional time as is reasonably required to correct any default, after notice by Lessee to Lessor properly specifying Lessor's failure to perform any such obligation.

ARTICLE 13: Arbitration

13.1 ARBITRATION PROCESS: Should any grievance or dispute arise between Lessor and Lessee concerning the terms of this Lease that cannot be resolved by normal interaction, the following arbitration procedure shall be used.

Lessor or Lessee shall give written notice to the other of its selection of a disinterested arbitrator. Within fifteen (15) days of the receipt of this written notice, the other party may give written notice to the first party appointing a disinterested arbitrator of its own choice. These two arbitrators shall select a third arbitrator. If the other party fails to name an arbitrator within fifteen (15) days of receiving the notice from the first party, the arbitrator selected by the first party shall be the sole arbitrator.

The arbitrator or arbitrators shall hold a hearing within thirty (30) days after the initial written notice by the initiator of the arbitration process. At the hearing Lessor and Lessee shall have an opportunity to present evidence and question witnesses in the presence of each other. As soon as reasonably possible, and in no event later than fifteen (15) days after the hearing, the arbitration panel shall make a written report to Lessor and Lessee of its findings and decisions, including a personal statement by each arbitrator of his/her decision and the reasons for it. The arbitrators shall decide the dispute or claim in accordance with the substantive law of the jurisdiction and what is just and equitable under the circumstances. The decisions and awards of the majority of the arbitration panel shall be binding and final.

ARTICLE 14: General Provisions

14.1 LESSEE'S MEMBERSHIP IN IHT: Lessee under this Lease shall automatically be a regular voting member of the IHT.

14.2 NOTICES: Whenever this Lease requires either party to give notice to the other, the notice shall be given in writing and delivered in person or mailed, by certified or registered mail, return receipt requested, to the party at the address set forth below, or such other address designated by like written notice:

If to Lessor: Island Housing Trust Corporation, P.O. Box 779, West Tisbury, MA 02575
(name of IHT)

with a copy to: Reynolds, Rappaport & Kaplan LLC, P.O. Box 2540, Edgartown, MA 02539
(IHT's attorney)

If to Lessee: _____ (name of Lessee)

All notices, demands and requests shall be effective upon being deposited in the United States Mail or, in the case of personal delivery, upon actual receipt.

14.3 NO BROKERAGE: Lessee warrants that it has not dealt with any broker other than _____ in connection with the consummation of this Lease, and in the event any claim is made against Lessor relative to dealings with brokers other than _____, Lessee shall defend the claim against Lessor with counsel of Lessor's selection and save harmless and indemnify Lessor on account of loss, cost or damage which may arise by reason of any such claim.

14.4 SEVERABILITY AND DURATION OF: If any part of this Lease is unenforceable or invalid, such material shall be read out of this Lease and shall not affect the validity of any other part of this Lease or give rise to any cause of action of Lessee or Lessor against the other, and the remainder of this Lease shall be valid and enforced to the fullest extent permitted by law. Without limiting the generality of the foregoing, it is the intention of the parties that their respective options to purchase and all other rights under this Lease shall continue in effect for the full term of this Lease and any renewal thereof, and such options and other rights shall be considered to be coupled with an interest. Further, the parties intend such options and other rights to be ones arising out of a non-donative transfer within the meaning of M.G.L. c. 184A, Section 4, as the same is now in effect and therefore not subject to any limitations otherwise imposed by said M.G.L. c. 184A. In the event any such option or right shall be construed to be subject to any rule of law limiting the duration of such option or right, the time period for the exercising of such option or right shall be construed to expire twenty (20) years after the death of the last survivor of the following persons:

The children living as of the date hereof of any of the directors or employees of the Island Housing Trust.

14.5 RIGHT OF FIRST REFUSAL IN LIEU OF OPTION: If the provisions of the purchase option set forth in Article 10 of this Lease shall become unenforceable for any reason other than termination following the exercise of rights of a Permitted Mortgagee under its mortgage, Lessor shall nevertheless have a right of first refusal to purchase the Improvements. This right shall be as specified in the attached Exhibit D, First Refusal. Any sale or transfer contrary to this Section, when applicable, shall be null and void.

14.6 WAIVER: The waiver by Lessor at any given time of any term or condition of this Lease, or the failure of Lessor to take action with respect to any breach of any such term or condition, shall not be deemed to be a waiver of such term or condition with regard to any subsequent breach of such term or condition, or of any other term or condition of this Lease. Lessor may grant waivers in the terms of this Lease, but such waivers must be in writing and signed by Lessor before being effective.

The subsequent acceptance of Ground Lease Fee payments by Lessor shall not be deemed to be a waiver of any preceding breach by Lessee of any term or condition of this Lease, other than the failure of Lessee to pay the particular Ground Lease Fee so accepted, regardless of Lessor's knowledge of such preceding breach at the time of acceptance of such Ground Lease Fee payment.

14.7 LESSOR'S RIGHT TO PROSECUTE OR DEFEND: Lessor shall have the right, but shall be under no obligation, to prosecute or defend, in its own or Lessee's name, any actions or proceedings appropriate to the protection of its title to, and Lessee's interest in, the Leased Premises. Whenever requested by Lessor, Lessee shall give Lessor all reasonable aid in any such action or proceeding.

14.8 CONSTRUCTION: Whenever in this Lease a pronoun is used it shall be construed to represent either the singular or the plural, masculine or feminine, as the case shall demand.

14.9 CAPTIONS AND TABLE OF CONTENTS: The captions and table of contents appearing in this Lease are for convenience only, and are not a part of this Lease and do not in any way limit or amplify the terms or conditions of this Lease.

14.10 PARTIES BOUND: This Lease sets forth the entire agreement between Lessor and Lessee with respect to the leasing of the Land; it is binding upon and inures to the benefit of these parties and, in accordance with the provisions of this Lease, their respective successors in interest. This Lease may be altered or amended only by written notice executed by Lessor and Lessee or their legal representatives or, in accordance with the provisions of this Lease, their successors in interest.

14.11 GOVERNING LAW: This Lease shall be interpreted in accordance with and governed by the laws of Massachusetts. The language in all parts of this Lease shall be, in all cases, construed according to its fair meaning and not strictly for or against Lessor or Lessee.

14.12 RECORDING: The parties agree that the entire Lease including exhibits and any subsequent amendments thereto, shall be recorded at the Registry of Deeds in the County where the Improvements are located.

14.13 LESSEES: Notwithstanding anything herein to the contrary, Lessee under this Lease shall at all times be one or more natural persons and any transfer by Lessee of its interest hereunder to a corporation, trust, partnership or any other entity in violation of the foregoing prohibition shall be deemed null and void.

IN WITNESS WHEREOF, the parties have executed this Lease at _____ on the day and year first above written.

_____ (IHT)
By: _____
Witness Its duly authorized agent

_____ Lessee: _____
Witness

[Notarize signatures.]

Exhibit A LETTER OF STIPULATION OF LESSEE

To: Island Housing Trust (the "IHT")

Date: _____

This letter is given to the IHT to become an exhibit to a Lease between the IHT and me. I will be leasing a parcel of land from the IHT and will be buying the home that sits on that parcel of land. I will therefore become what is described here as an "IHT homeowner."

My legal counsel, _____, has explained to me the terms and conditions of the Lease and other legal documents that are part of this transaction. I understand the way these terms and conditions will affect my rights as a IHT homeowner, now and in the future.

In particular I understand and agree with the following points.

- One of the goals of the IHT is to keep IHT homes affordable for lower-income households from one IHT homeowner to the next. I support this goal as a IHT homeowner and as a member of the IHT.
- The terms and conditions of my Lease will keep my home affordable for future "income-qualified persons" (as defined in the lease). If and when I want to sell my home, the lease requires that I sell it either to the IHT or to another income-qualified person. The terms and conditions of the lease also limit the price for which I can sell the home, in order to keep it affordable for such income-qualified persons.
- It is also a goal of the IHT to promote resident ownership of IHT homes. For this reason, my Lease requires that if I and my family move out of our home permanently, we must sell it. We cannot continue to own it as absentee owners.
- I understand that I can leave my home to my child or children or other members of my household and that, after my death, they can own the home for as long as they want to live in it and abide by the terms of the Lease, or they can sell it on the terms permitted by the Lease.
- As a IHT homeowner it is my desire to see the terms of the Lease and related documents honored. I consider these terms fair to me and others.

Sincerely,

Exhibit B LETTER OF ACKNOWLEDGEMENT OF LESSEE’S ATTORNEY

I, _____, have been independently employed by _____ (hereinafter the “Client”) who intends to purchase a house and other improvements on land to be leased from Island Housing Trust (the “IHT”). The house and land are located _____, Massachusetts.

In connection with the contemplated purchase of the house and other improvements and leasing of the land, I reviewed with the Client the following documents relating to the transaction:

- a. this Letter of Acknowledgment and a Letter of Stipulation from the Client
- b. a proposed Bill of Sale and Deed conveying the house and other improvements to the Client
- c. a proposed Ground Lease conveying the “Leased Premises” to the Client
- d. other written materials provided by the IHT.

The Client has received full and complete information and advice regarding this conveyance and the foregoing documents. My advice and review has been given to reasonably inform the Client of the present and foreseeable risks and legal consequences of the contemplated transaction.

The Client is entering the aforesaid transaction in reliance on her own judgment and upon her investigation of the facts. The full and complete advice and information provided by me was an integral element of such investigation.

Name _____ Date _____

Title _____

Firm/Address _____

Exhibit C LEASED PREMISES (LEGAL DESCRIPTION OF THE PROPERTY)

Exhibit F BILL OF SALE AND DEED

Intentionally left blank in the Master Ground Lease Agreement

(Each lease shall insert the deed and bill of sale for the Improvements on the Leased Premises).

Exhibit G PERMITTED MORTGAGES

The provisions set forth in this Exhibit shall be understood to be provisions of Article 8 of the Lease to which the Exhibit is attached and in which the Exhibit is referenced. All terminology used in this Exhibit shall have the meaning assigned to it in the Lease.

A. PERMITTED MORTGAGE: A "Permitted Mortgage," as identified in Section 8.1 of the Lease to which this Exhibit is attached, shall be a mortgage ("Mortgage") that meets the following requirements.

1. Such Mortgage shall run in favor of either (a) a so-called institutional lender such as, but not limited to, a federal, state, or local housing finance agency, a bank (including savings and loan association or insured credit union), an insurance company, a pension and/or profit-sharing fund or trust, or any combination of the foregoing, the policies and procedures of which institutional lender are subject to direct governmental supervision, or (b) a "community development financial institution" as certified by the U.S. Department of the Treasury, or similar nonprofit lender to housing projects for low- and moderate-income persons.
2. Such Mortgage shall be a first lien on all or any of the Improvements and the Lessee's interest in the Leased Premises (the "Security").
3. Such Mortgage and related documentation shall provide, among other things, that in the event of a default in any of the mortgagor's obligations there under, the holder of such Mortgage shall notify Lessor of such fact and Lessor shall have the right (but shall not have the obligation) within 120 days after its receipt of such notice, to cure such default in the mortgagor's name and on mortgagor's behalf, provided that current payments due the holder during such 120-day period (or such lesser time period as may have been required to cure such default) are made to the holder, and shall further provide that said holder shall not have the right, unless such default shall not have been cured within such time, to accelerate the note secured by such Mortgage or to commence to foreclose under the Mortgage on account of such default.
4. Such Mortgage and related documentation shall provide, among other things, that if after such cure period the holder intends to accelerate the note secured by such Mortgage or initiate foreclosure proceedings under the Mortgage, in accordance with the provisions of this Lease, the holder shall first notify Lessor of its intention to do so and Lessor shall have the right, but not the obligation, upon notifying the holder within thirty (30) days of receipt of said notice from said holder, to pay off the indebtedness secured by such Mortgage and to acquire such Mortgage.
5. Such Mortgage and related documentation shall provide, among other things, that, in the event of foreclosure sale by a Permitted Mortgagee or the delivery of a bill of sale and deed to a Permitted Mortgagee in lieu of foreclosure, upon acquisition of title to the Improvements and the Lessee's interest in the Leased Premises by the Permitted Mortgagee, the Permitted Mortgagee shall give the Lessor written notice of such acquisition and the Lessor shall have an option to purchase the Improvements and acquire the Lessee's interest in the Leased Premises from the Permitted Mortgagee for the full amount owing to the Permitted Mortgagee under the Permitted Mortgage; provided, however, that the Lessor gives written notice to the Permitted Mortgagee of

the Lessor's intent to purchase the Improvements and acquire the Lessee's interest in the Leased Premises within thirty (30) days following the Lessor's receipt of the Permitted Mortgagee's notice of such acquisition of the Improvements and Lessee's interest; further provided that Lessor shall complete the purchase of the Improvements and acquisition of Lessee's interest in the Leased Premises within sixty (60) days of having given written notice of its intent to purchase; and provided that, if the Lessor does not complete the purchase within such period, the Permitted Mortgagee shall be free to sell the Improvements and transfer the Lessee's interest in the Leased Premises to another person;

6. Such Mortgage and related documentation shall not contain any provisions other than provisions generally contained in mortgages used for similar transactions in the Dukes County area by institutional mortgagees.

7. Such Mortgage and related documentation shall not contain any provisions which could be construed as rendering Lessor or any subsequent holder of the Lessor's interest in and to this Lease, or their respective heirs, executors, successors or assigns, personally liable for the payment of the debt evidenced by such note and such Mortgage or any part thereof.

8. Such Mortgage and related documentation shall contain provisions to the effect that the holder of such Mortgage shall not look to Lessor or Lessor's interest in the Leased Premises, but will look solely to Lessee, Lessee's interest in the Leased Premises, the Improvements, or such other buildings and improvements which may from time to time exist on the Leased Premises, for the payment of the debt secured thereby or any part thereof (It is the intention of the parties hereto that Lessor's consent to such Mortgage shall be without any liability on the part of Lessor for any deficiency judgment).

9. Such Mortgage and related documentation shall provide that in the event any part of the Security is taken in condemnation or by right of eminent domain, the proceeds of the award shall be paid over to the holder of the Mortgage in accordance with the provisions of Article 9 hereof.

10. Such Mortgage and related documentation shall contain nothing that obligates Lessor to execute an assignment of the Ground Lease Fee or other rent payable by Lessee under the terms of this Lease.

B. RIGHTS OF PERMITTED MORTGAGEE: The rights of a holder of a Permitted Mortgage ("Permitted Mortgagee") as referenced under Section 8.2 of the Lease to which this Exhibit is attached shall be as set forth below.

1. Permitted Mortgagee shall without requirement of consent by the Lessor have the right, but not the obligation, to:

a. cure any default under this Lease, and perform any obligation required under this Lease, such cure or performance by a Permitted Mortgagee being effective as if it had been undertaken and performed by Lessee;

b. acquire and convey, assign, transfer, and exercise any right, remedy or privilege granted to Lessee by this Lease or otherwise by law, subject to the provisions, if any, in

said Permitted Mortgage, which may limit any exercise of any such right, remedy or privilege; and

c. rely upon and enforce any provisions of the Lease to the extent that such provisions are for the benefit of Permitted Mortgagee.

2. Permitted Mortgagee shall not, as a condition to the exercise of its rights under the Lease, be required to assume personal liability for the payment and performance of the obligations of the Lessee under the Lease. Any such payment or performance or other act by Permitted Mortgagee under the Lease shall not be construed as an agreement by Permitted Mortgagee to assume such personal liability except to the extent Permitted Mortgagee actually takes possession of the Security and the premises. In the event Permitted Mortgagee does take possession of the Security and thereupon transfers the Security, any such transferee shall be required to enter into a written agreement assuming such personal liability and upon any such assumption the Permitted Mortgagee shall automatically be released from personal liability under the Lease.

3. In the event that title to the estates of both Lessor and Lessee shall be acquired at any time by the same person or persons, no merger of these estates shall occur without the prior written declaration of merger by Permitted Mortgagee, so long as Permitted Mortgagee owns any interest in the Security or in a Permitted Mortgage. In the event that the estate of Lessor is owned at any time by Lessee (regardless of a merger), or by any person in which Lessee has a direct or indirect interest, Permitted Mortgagee shall not be obligated to cure any default of Lessee under the Lease as condition to the forbearance by Lessor in the exercise of Lessor's remedies as provided in the Lease.

4. If the Lease is terminated for any reason, or in the event of the rejection or disaffirmance of the Lease pursuant to bankruptcy law or other law affecting creditors' rights, Lessor shall enter into a new lease of the Leased Premises with the Permitted Mortgagee (or with any party designated by the Permitted Mortgagee, subject to Lessor's approval, which approval shall not be unreasonably withheld), not more than thirty (30) days after the request of the Permitted Mortgagee. Such lease shall be for the remainder of the term of the Lease, effective as of the date of such termination, rejection, or disaffirmance, and upon all the terms and provisions contained in the Lease. However, the Permitted Mortgagee shall make a written request to Lessor for such new lease within sixty (60) days after the effective date of such termination, rejection, or disaffirmance, as the case may be. Such written request shall be accompanied by a copy of such new lease, duly executed and acknowledged by the Permitted Mortgagee or the party designated by the Permitted Mortgagee to be the Lessee there under, and the Permitted Mortgagee shall have cured all defaults under the Lease, which can be cured by the payment of money. Any new lease made pursuant to this Section shall have the same priority with respect to other interests in the Premises as the Lease. The provisions of this Section shall survive the termination, rejection, or disaffirmance of the Lease and shall continue in full effect thereafter to the same extent as if this Section were independent and an independent contract made by Lessor, Lessee, and the Permitted Mortgagee.

5. The Lessor shall have no right to terminate the Lease during such time as the Permitted Mortgagee has commenced foreclosure in accordance with the provisions of the Lease and is diligently pursuing the same.

6. In the event that Lessor sends a notice of default under the Lease to Lessee, Lessor shall also send a notice of Lessee's default to Permitted Mortgagee. Such notice shall be given in the manner set forth in Section 14.2 of the Lease to the Permitted Mortgagee at the address that has been given by the Permitted Mortgagee to Lessor by a written notice to Lessor sent in the manner set forth in said Section 14.2 of the Lease.