

May 2, 2019

Dear MV Future Financing Participant,

Martha's Vineyard is in the midst of a housing crisis, impacting not only the people and families who are struggling to afford to live here, but also all of us who are part of the Vineyard economy and who value the diversity and character of our island. Housing directly affects Martha's Vineyard Hospital, one of the island's largest non-profit employers and our only primary care provider who struggles to attract and retain qualified employees to service our community's health care needs.

The Island Housing Trust (IHT) would like to make you aware of an opportunity to participate in a \$1.8 million below-market-rate 10-year loan that will be used for year-round hospital employee housing at Hanover House, a former 16-bedroom inn that IHT recently renovated and repurposed in Vineyard Haven.

Please find attached a summary of the participation loan opportunity that describes the property and loan participation opportunity for your consideration. Should you find this opportunity interesting, the enclosed expression of interest letter will initiate the next step in the process.

Should you decide to participate in the loan, Martha's Vineyard Bank (MV Bank) will act as the lead lender, escrow agent, and loan servicer for each participant in the loan. Your consideration and eventual participation in the loan will progress through three steps:

1. Once you have expressed your interest, MV Bank will provide you with a due diligence package including a detailed credit analysis, collateral property appraisal, and project description.
2. Subject to your continued interest, a pre-settlement document package will then be provided to include loan documents (promissory note, mortgage, loan agreement, participation agreement, assignment of rents and leases, disclosures, etc.) along with commitment documents for you to execute and return (loan participation agreement, deposit account opening documents, funding instructions from deposit account to loan, funding instructions from loan payments to deposit account).
3. Finally, executed copies of all documents will be provided to you by the MV Bank in a post-settlement document package.

Please contact Christopher Anderson, Development Director, at christopheranderson@ihtmv.org and 508-693-1117x 3 for more information. Thank you for consideration in the loan and the future of Martha's Vineyard.

Sincerely,



Philippe Jordi,
Executive Director



Martha's Vineyard Future Financing

Building Homes & Preserving Community

HANOVER HOUSE – workforce housing for hospital employees



Martha's Vineyard Bank - Loan Participation Opportunity
\$1,800,000 loan to Hanover House LLC, a Massachusetts limited liability company (the "Borrower") affiliated with the Island Housing Trust, a Massachusetts not-for-profit corporation ("IHT"), secured by 28 Edgartown Road, Vineyard Haven, Tisbury, Massachusetts

Proprietary and Confidential

CONFIDENTIALITY

This summary has been prepared solely for the benefit of a limited number of sophisticated individuals or commercial or financial entities interested in participating in the loan that Martha's Vineyard Bank (MV Bank) will make to an affiliate of the Island Housing Trust Corporation (IHT). Any reproduction or distribution of this summary in whole or in part without the prior written consent of MV Bank or IHT is prohibited. By accepting delivery of this summary, you agree to destroy or return this summary and any documents you receive from MV Bank if you determine not to participate in the Loan.

THE PROPERTY

The loan proceeds will be used to finance the repayment of the purchase price for and the development of the Property (defined below), which consists of 12 bedrooms and private bathrooms with a shared kitchen and dining room, and 3 separate one-bedroom apartments. The Property is within walking distance to the year-round amenities found on Main Street in Vineyard Haven. The Vineyard Transit Authority bus line provides year-round public transportation to all six island towns, including the Martha's Vineyard Hospital in Oak Bluffs.

IHT purchased the Property on August 24, 2018 using \$1,850,000 of short-term loans and is making approximately \$600,000 in improvements and renovations to the exterior and interior of the main house and cottage house. In conjunction with the loan closing, IHT will transfer the Property to the Borrower, a newly-formed special purpose entity. The Borrower has master leased the Property to the Martha's Vineyard Hospital to provide affordable year-round housing for hospital employees earning low to moderate income (currently, this equates to an income of \$50,350 or less for a single person).

The total cost of the acquisition and renovation of the Property is approximately \$2,450,000. IHT will provide leasing, compliance, and property management services for the operating life of the Property. IHT structures each of its properties to be financially self-sustainable.

THE LOAN PARTICIPATION

MV Bank will act as lead lender, escrow agent, and loan servicer under the Loan Agreement and the Participation Agreements by and among MV Bank and each participant in the loan. As the loan servicer, MV Bank will deliver annual interest payments and principal payment at maturity, using funds provided by Borrower pursuant to the Loan Documents (defined below), which may be sourced from rental payments received by Borrower from Martha's Vineyard Hospital.

SUMMARY

This summary summarizes but does not fully describe the terms of the loan participation opportunity. It is subject to and qualified by the provisions of (1) the Loan Agreement by and between Borrower and MV Bank (the “Loan Agreement”) and each of the other documents executed and/or delivered in connection with the loan (collectively, together with the Loan Agreement, the “Loan Documents”), (2) a definitive Loan Participation Agreement by and between MV Bank and each loan participant, and (3) applicable law. Prospective participants must complete their own due diligence before determining to participate. Participants, not MV Bank, are responsible for making the ultimate credit decision through the participant’s own review of information pertaining to the Borrower.

The Opportunity:	
Borrower	Hanover House LLC, a Massachusetts limited liability company affiliated with Island Housing Trust, a Massachusetts not-for-profit corporation (“IHT”).
Property	Hanover House, located at 28 Edgartown Road in Vineyard Haven, Tisbury, Massachusetts, consisting of 12 bedrooms and private bathrooms with a shared kitchen and dining room, and 3 separate one-bedroom apartments to be used for year-round affordable rental housing (the “Property”).
Master Lease	The Borrower and the Martha’s Vineyard Hospital have entered into a 5-year master lease (the “Master Lease”) with renewable 5-year extensions for the entire Property to provide year-round housing to income-qualified hospital employees. Revenues from the Master Lease will be used to service the Loan and to support the management of the Property.
Loan	\$1,800,000
Minimum Loan Participation Amount	\$25,000
Deadline to Participate	November 30, 2019
Funding Deadline	Upon each party (MV Bank and the loan participant) having executed a Loan Participation Agreement.
The Loan:	
Term	10 years
Interest Rate	2.5% per annum.
Payments	Interest and amortization of the principal based on a 30 year amortization period and paid annually.
Source of Repayment	The loan is full recourse to the Borrower, which expects to make payments based on anticipated revenue from the Master Lease. The Loan will not be guaranteed by IHT.
Collateral	The Loan Agreement and the Interests are secured by a mortgage on the Property, together with a security interest in all personal property of Borrower and assignment of leases and rents.



Martha's Vineyard Future Financing - Frequently Asked Questions

SOCIAL IMPACT INVESTING

What is Social Impact Investing?

Investments made with the intention to achieve social and environmental impact while generating a financial return. Social Impact Investing blurs the dichotomy between traditional investing, with the goal of maximizing financial return, and philanthropic investing, with the goal of producing social benefit.

Who is an Impact Investor?

Impact Investors invest with an intention to address social and environmental challenges through investment of capital to enable solutions to these challenges on a larger scale. They may be individuals, wealth advisors, or institutional investors such as foundations, asset managers or companies. Impact investing creates opportunities for those with investment portfolios to use their assets to influence positive social change in the same way that philanthropists do through donations. Unlike traditional philanthropic donations, impact investments pay interest and return principal. Investors in *Martha's Vineyard Future Financing* must meet certain criteria as set forth on the expression of interest form, which is part of the initial document package.

How do Participants benefit?

Martha's Vineyard Future Financing Participants achieve both a financial and a social return. Under the loan participation agreement, Participants receive annual principal and interest payments based on 2.5% interest and a 30-year amortization schedule, with full repayment of principal at the end of the 10-year term.

Why is Island Housing Trust (IHT) offering Martha's Vineyard (MV) Future Financing?

While IHT has the capacity to build more housing to meet the growing need in our community, we have a shortfall in the capital funding needed to build it. Public funding for affordable housing has been eroding in recent years and we need to replace those monies with low cost capital to scale our development pipeline. We have two programs based on Social Impact Loans:

- IHT has previously launched the *Make It Happen Fund* in which donors provide a line of short term credit for IHT to utilize during project planning and construction;
- and we are now creating *MV Future Financing* to bring longer term private capital in the form of loans into our project funding mix so that we can serve more of the needs for year-round affordable housing on Martha's Vineyard.

You can find more information about Social Impact Loans for both *MV Future Financing* and the *Make It Happen Fund* on our website at: <http://www.ihmv.org/loans/>.

INVESTORS ARE URGED TO CONSULT WITH THEIR FINANCIAL ADVISORS AND TO REVIEW THE LOAN DOCUMENTS CAREFULLY INCLUDING THE RISK FACTORS OUTLINED IN THE LOAN PARTICIPATION AGREEMENT



How does *MV Future Financing* Work? How will the funds be utilized?

MV Future Financing offers a private alternative delivering a public good. Participants purchase a portion of a secured loan (the "Participation") extended by Martha's Vineyard Savings Bank ("MV Bank"). IHT will use the proceeds of the loan to replace short-term financing for Hanover House in Vineyard Haven. Hanover House provides year-round housing for employees of Martha's Vineyard Hospital ("MVH") consistent with income eligibility guidelines that are in concert with IHT's mission of creating affordable year-round housing. Hanover House consists of 12 bedroom/bathrooms in a congregate living set-up with shared kitchen and common area and 3 one-bedroom apartments that are already in operation and fully occupied by employees of MVH.

TERMS OF THE PARTICIPATION LOAN

What would I be purchasing?

You would be purchasing a Participation in a loan agreement, note and mortgage entered into between MV Bank and Hanover House LLC, which is a wholly-owned subsidiary of IHT and the owner of Hanover House in Vineyard Haven (the "Property"). The term of the Participation Loan Agreement is 10 years.

What is the source of funds to satisfy the Loan?

Hanover House LLC has entered into a master lease with MVH (the "Lease"), which is using the Property to house year-round employees meeting income eligibility requirements. The Lease has an initial term of 5 years and is renewable on mutual agreement. Lease payments to Hanover House LLC will be used to satisfy payments on the Loan.

Who is Hanover House LLC?

Hanover House LLC ("Hanover House") is a wholly owned subsidiary of IHT and a special purpose project vehicle for developing and operating the Property, entirely separate from IHT's other properties. By setting up separate subsidiaries such as Hanover House LLC, IHT is able to create many more projects. This type of financing is a well-known vehicle for affordable housing.

What are the benefits to IHT of this arrangement versus other financing opportunities?

With this arrangement, IHT does not tie up its capital and borrowing capacity, thereby allowing IHT to develop other projects, and Social Impact Investing is less costly than conventional financing.

What is my security in the Participation? Does IHT have any obligations under the Loan?

The participation is secured by a Mortgage on the Property and an assignment of rents and leases. Lease payments from MVH will be utilized to pay the Mortgage. The Loan and Mortgage are solely the obligations of Hanover House LLC and not IHT.



Does Hanover House LLC have any equity in the Property?

Hanover House LLC paid \$1.8 million for the Property and has invested approximately \$600,000 of equity in renovations. The Property was purchased for less than the market value. MV Bank will secure an appraisal of the Property before the Loan is finalized.

Do I have any direct rights with respect to the Mortgage?

No. MV Bank will collect all monies due from Hanover House LLC and will exercise all other rights with respect to the collateral on behalf of the holders of the Participations.

Is the rent sufficient to cover the amounts due under the Loan?

MVH will pay Fair Market Rent applicable to Dukes County, Massachusetts, as set by federal regulations. MVH is subsidizing the rents for their low and moderate income employees who otherwise would be forced to reside off-Island or work elsewhere. Monthly rentals are sufficient to service the Loan and to cover maintenance and operating costs associated with the Property.

What happens if MVH does not renew the Lease or is otherwise unable to continue to pay the rents due under the Lease?

The Lease is backed by Partners, a billion dollar health care organization of which MVH is a part. MVH was thrilled with the opportunity to offer housing to its low to moderate income employees. MVH is a well-established organization on Martha's Vineyard and IHT believes that MVH will renew the Lease. If MVH does not renew or fulfill its obligations under the Lease, Hanover House LLC can pursue master tenants from other non-profit employers on the Island or rent to qualified individual tenants through the Dukes County Regional Housing Authority, which provides property management for all of IHT's other rental properties.

RETURN ON INVESTMENT

Can you provide an example of the payments that an Investor would receive annually for a \$25,000 investment?

Based on an investment of \$25,000, the annual payment would be approximately \$1,185. For the first year, this would include interest of \$565 and principal of \$620.

Are investments or earnings tax deductible or exempt?

Investors should seek their own tax advice but in general, the Participations are private loans, not a donation or a tax-exempt bond purchase, and, therefore, the interest income to individual Investors is taxable. Imputed interest represented by any below-market interest component on the Loan is exempt for individual Investors. Foundations' participations may count towards their required annual minimum distribution.



What are the investment levels?

We are seeking a minimum investment by an Investor of \$25,000. If by November 30, 2019 less than \$1.5 million in investments have been committed to the *MV Future Financing*, then you may request a refund of your participation, without interest.

When are payments made and how will they be distributed?

Payments will be made annually at year-end and will be direct deposited into your account with MV Bank.

How long am I committed to participate?

Each Participant is committing funds for 10 years.

Do I have the option to waive interest payments and/or forgive my portion of the Loan at any time?

Yes. Investors will be given an opportunity annually to donate their interest and/or principal payments from their account to the IHT.

May I sell my Participation?

There is no established market for Participations; however you may sell your Participation in its entirety with the consent of MV Bank. The Participation will be an asset of your estate in the event of your death prior to the Maturity Date.

How do I invest?

The deadline for investment in *Martha's Vineyard Future Financing* is November 30, 2019. The Loan Participation Agreement and supporting documentation will be made available to qualified individuals or entities who complete an expression of interest form, which is included in the initial document package.

Who do I contact if I have more questions?

We are happy to speak to you in person should you require additional information about this investment opportunity. Please contact Christopher Anderson, Development Director, at christopheranderson@ihtmv.org and 508-693-1117, ext. 3 for more information.

EXPRESSION OF INTEREST

The Island Housing Trust, a non-profit corporation located on the island of Martha's Vineyard, has made me aware of an opportunity to participate in a \$1.8 million below-market-rate 10-year loan that will be used to finance the repayment of the purchase and development of the Hanover House Inn in Vineyard Haven for year-round hospital employee housing opportunity. I would like to receive additional information about this opportunity.

I acknowledge and certify as follows:

(a) Individual:

_____ **(please initial)** My individual net worth or joint net with my spouse exceeds worth or assets under management of \$1 million or more, excluding the value of my primary residence.

or

_____ **(please initial)** My individual income is in excess of (1) \$200,000 in each of the two most recent years **or** (2) my joint income together with my spouse is in excess of \$300,000 in each of those years, **and** I reasonably expect to reach the same income level in the current year.

or

_____ **(please initial)** I don't have net worth of \$1 million or income in excess of \$200,000, but am still interested in participating in MV Future Financing and receiving more information on donor advised funds.

(b) Foundation:

_____ **(please initial)** My foundation has a net worth or assets under management of \$5 million or more.

or

_____ **(please initial)** My foundation does not have a net worth or assets of \$5 million or more, but I am still interested in investing in participating in MV Future Financing and receiving more information on donor advised funds.

I acknowledge that I have been contacted directly and privately about this loan participation opportunity.

By so certifying and acknowledging, I am not committing to participate in the MV Future Financing's participation loan.

I HEREBY CERTIFY AND ACKNOWLEDGE THE ACCURACY OF THE ABOVE.

(Signature)

Address: _____

(Print Name)

Date: _____

Phone: _____

**After completing and signing this Expression of Interest statement, please deliver via email or post to:
christopheranderson@ihtmv.org Christopher Anderson, Island Housing Trust, P.O. Box 779, West Tisbury, MA 02575**