

The Town of Veazie hereby ordains an ordinance authorizing the Town Manager to execute in behalf of the Town the following agreement to enter into a lease entitled "Option to Enter into a Lease Between the Veazie Village Senior Housing Associates Limited Partnership and the Town of Veazie, Maine"

Option to Enter into Lease

This Option to Enter into Lease (the "Agreement") is by and between Veazie Village Senior Housing Associates Limited Partnership, a Maine limited partnership (the "Partnership") and the Town of Veazie (the "Town") and is dated as of October 16, 2006.

1. The Partnership intends to construct, own and operate a 24 unit elderly affordable housing project, financed with, among other things, Low Income Housing Tax Credits and Affordable Housing Program Funds from the Federal Home Loan Bank of Boston (the "Project"). The Partnership intends to construct the Project on an approximately 3.1 acre parcel of land located in Veazie, as shown on Exhibit A hereto along with existing rights of way for ingress and egress and utility access (the "Site"). The Site is currently owned by the Town.
2. The Town agrees that it will enter into a long term ground lease with the Partnership, pursuant to which the Town leases the Site to the Partnership for a term of 99 years, with an annual lease payment of One Dollar, and subject to the other terms and conditions described in this Agreement (the "Ground Lease"). The Ground Lease shall be on such terms and conditions as will satisfy the requirements of the Low Income Housing Tax Credit Program, 26 U.S.C. § 42, and will transfer substantially all of the benefits and burdens of ownership of the Site to the Partnership, while legal title remains vested in the Town, and the terms of such Ground Lease shall be reasonably satisfactory to the Partnership's financing sources and to the Town's Council and attorney. The Town agrees to execute the Ground Lease and to commence the Partnership's tenancy thereunder within any time frames required by the Partnership to meet the requirements of the parties providing financing for the Project and the requirements of the Low Income Housing Tax Credit program.
3. The Ground Lease shall provide that the Town shall have reserved to it certain rights allowing members of the public to use a portion of the Site for recreational purposes. Such recreational purposes shall be limited to access for walking and hiking, and such activities shall be located on a portion of the Site

that shall not adversely affect the usage of the Project as elderly affordable housing. The Town shall also have reserved to it certain rights allowing members of the public to use the currently existing basketball and tennis courts and allowing the Town's maintenance of said courts. Such recreational usages shall not take place within a reasonable buffer zone surrounding the building to be constructed by the Partnership.

4. The Town shall provide the Partnership with liability insurance coverage relating to (i) the recreational activities which members of the public engage in on the Site and (ii) any work performed by Town employees or independent contractors relating to the construction, maintenance, use and operation of such recreational facilities. Such coverage limits and the terms and conditions of such policies shall be subject to the reasonable requirements of the Partnership.

5. The planning and code enforcement staff of the Town shall provide reasonable cooperation and support for the Project before the Town Planning Board or any other municipal authority with jurisdiction over the Project. The parties acknowledge, however, that nothing herein shall be construed as a guarantee that the Project will necessarily receive any required municipal permits.

6. The Partnership may, in its sole discretion, terminate this Agreement in the event that (i) it is not given an award of low income housing tax credits by the Maine State Housing Authority ("MSHA") pursuant to MSHA's 2007 Qualified Allocation Plan or (ii) the Partnership does not obtain approval of entry into the Ground Lease from MSHA and/or the U.S. Department of Housing and Urban Development following environmental assessment of the Site. Such right to terminate may be exercised by the Partnership delivering written notice of such termination to the Town Manager, and upon such termination, this Agreement shall be null and void, and no party shall have any further obligation hereunder. The Town may, in its sole discretion, terminate this agreement or the Ground Lease if construction of the Project is not commenced by July 30, 2008. Such right to terminate may be exercised by the Town delivering written notice of such termination to Penquis C.A.P., Inc., and upon such termination, this Agreement or the Ground Lease shall be null and void, and no party shall have any further obligation to the other.

7. This Agreement, and the application and interpretation hereof, shall be governed by and construed in accordance with the laws of the State of Maine.

8. This Agreement shall be binding on the parties hereto, their heirs, executors, personal representatives, successors, and assigns.

9. This Agreement may not be amended, modified or waived orally, but only in writing signed by the party to be charged.

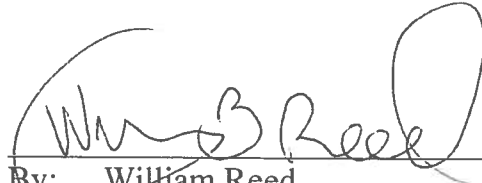
10. If any part of any term or provision of this Agreement shall be held or deemed to be invalid, inoperative or unenforceable to any extent by a court of competent jurisdiction, such circumstance shall in no way affect any other term or provision of this Agreement, the application of such term or provision in any other circumstances, or the validity or enforceability of this Agreement.

[The rest of this page is intentionally left blank.
The next page is the signature page.]

NOW THEREFORE, each party warrants to the other that it is duly authorized to enter into and perform its obligations under this Agreement.

Executed as of the date first set forth above.

TOWN OF VEAZIE

A handwritten signature in black ink, appearing to read "William Reed", written over a horizontal line.

By: William Reed
Its: Town Manager

VEAZIE VILLAGE SENIOR HOUSING
ASSOCIATES LIMITED PARTNERSHIP

By: Penquis Development, Inc.
Its: General Partner

A handwritten signature in black ink, appearing to read "Stephen B. Mooers", written over a horizontal line.

By: Stephen B. Mooers
Its: Chief Executive Officer