

**PENOBSCOT SHORES
GROUND LEASE**

GROUND LEASE made as of this 17th day of April, 1996 between **Waldo County Healthcare Management Company** ("Landlord"), located at 56 Northport Avenue, Belfast, Maine and having a mailing address of P.O. Box 287, Belfast, Maine 04915 and **Penobscot Shores Association** ("Cooperative"), also located on Northport Avenue in Belfast, Maine and having a mailing address of P.O. Box 287 Belfast, Maine 04915.

BACKGROUND AND PURPOSE

Landlord is the owner of a certain parcel of land in Belfast, Maine (the "Land") upon which its intends to construct certain buildings and improvements consisting of residential apartment units, cottages, common areas, covered carports and other facilities ancillary thereto all to be known as "**Penobscot Shores**".

Cooperative is a corporation the stockholders of which will be residents of **Penobscot Shores**.

At the commencement of the term of this Lease, Landlord shall convey to Cooperative all of Landlord's right, title and interest in and to the residential improvements then existing on the Land, except for the covered carports. Landlord shall retain all right, title and interest in and to the Land.

Landlord and Cooperative desire to enter into a lease of the Land and Landlord desires to impose certain restrictions on the operation of **Penobscot Shores** aimed at providing a quality living environment for the residents of **Penobscot Shores**.

The parties agree as follows:

ARTICLE I

TERM

Section 1.1 This Lease shall commence on the date of the first sale of any residential unit in **Penobscot Shores** to a buyer other than Landlord or an affiliate of Landlord (the "Commencement Date") and expires on the ninety-ninth (99th) anniversary thereof.

ARTICLE 2

LAND AND IMPROVEMENTS

Section 2.1 Description of the Land. Landlord is the fee owner of a 20.8 acre parcel of the Land, more particularly described in Exhibit "A" attached hereto.

The Land has the benefit of and is subject to certain easements, restrictions, encumbrances and rights appurtenant as expressly set forth on Exhibit "A". In addition, the Land is served by certain utilities including, without limitation, water, sewer, electric, telephone and gas.

Section 2.2 Definition of Improvements. Landlord and its affiliates may from time to time construct on the Land buildings and other improvements consisting of residential apartment units and cottages, common rooms, dining facilities, recreational areas, covered carports, paved parking areas, walking trails and other facilities and improvements ancillary thereto (the "Improvements"). The term "Original Improvements" shall mean all Improvements constructed by Landlord and existing on the Commencement Date as conveyed to Cooperative. Pursuant to a Bill of Sale of near or even date, Landlord has conveyed the Original Improvements to Cooperative.

Section 2.3 Lease. Landlord does hereby lease to Cooperative, and Cooperative does hereby lease from Landlord the Land, excepting and reserving to Landlord the exclusive right, but not the obligation, to develop, control, own and manage any Additional Improvements (as defined below) constructed on the Land. Cooperative accepts the Land in its current condition and agrees that its rights in the Land are subject to, and have the benefit of, all easements, restrictions and conditions of record affecting the Land, in common with Landlord and others entitled or subject thereto.

Section 2.4 Reservation of Rights. Landlord also expressly reserves, for itself, its invitees and licensees, in common with Cooperative and others entitled thereto, all rights and easements now existing or hereafter arising which are appurtenant to the Land, including, without limitation, rights to use all access ways, emergency access driveways, parking areas, pathways, driveways, loading docks, common ducts, utility lines and all other exterior common facilities serving the Land in whole or in part.

Section 2.5 Additional Improvements. Landlord reserves unto itself, its successors and assigns the right to construct an additional building or buildings in locations determined by it or expand vertically or horizontally any buildings located on the Land in order to add additional residential units or other amenities, including long term care facilities, to Penobscot Shores. Such Improvements are hereinafter referred to as

the "Additional Improvements." The right reserved shall be subject to the conditions that (a) the quality of material and workmanship will be at least equal to the Original Improvements and of compatible architectural design; (b) the maximum number of living units shall not exceed that permitted by applicable zoning; (c) all work shall comply with all applicable laws, codes, rules and regulations and Landlord shall be responsible for obtaining all necessary permits and approvals; (d) Landlord shall indemnify Cooperative and hold it harmless from all cost, expense, loss, liability or damages arising in connection with the construction of the Additional Improvements from the commencement to completion of construction; and (e) land and buildings disturbed shall be appropriately restored and landscaped in a manner compatible with the then existing Improvements. Landlord further reserves such rights and easements as are reasonably appropriate to connect utilities to the new components and to provide access over existing roads and driveways for construction and other vehicles to the construction area.

Section 2.6 Ownership and Maintenance of Additional Improvements. Landlord may retain ownership of any Additional Improvements constructed on the Land (the "Retained Improvements") or may transfer ownership of the Additional Improvements to Cooperative, in whole or in part. Cooperative agrees to accept title to any Additional Improvements and agrees that with respect to any residential units which are to be leased to residents as cooperative units, Cooperative shall issue to Landlord or its designee one share of stock for each such cooperative unit. Cooperative hereby agrees to assume the responsibility of operating and maintaining any service facilities included in the Additional Improvements transferred to it. Residents of any new cooperative units shall be stockholders of Cooperative on comparable terms and with the same rights, privileges, responsibilities and restrictions as all other resident owners with the same force and effect as if the units were part of the Original Improvements at Penobscot Shores, except only that eligibility criteria may differ for different types of cooperative units and the monthly fees and other assessments charged by Cooperative to the residents of such additional cooperative units shall reflect the actual level of services provided to those residents. Landlord agrees that until the stock allocated to any cooperative unit contained in any Additional Improvements which is conveyed to Cooperative is sold, Landlord shall pay the monthly fee for such unit less costs of services attributable to actual occupancy of the unit, such as meal costs.

ARTICLE 3

USE OF THE LAND

Section 3.1 General Restrictions. Cooperative shall have the right to use the Land only for a retirement community and for no other purpose whatsoever. When used in this case, the term "retirement community" shall mean a community consisting of residential

living units which provides at least an emergency response system, meal services, property maintenance, and health screening and assessments (the "Core Services").

Section 3.2 Compliance with Laws and Management Agreement. Cooperative shall conform with all local, state and federal laws, statutes and regulations pertaining to the operation and maintenance of a retirement community. Cooperative and Landlord have entered a Management Agreement of near or even date and Cooperative agrees that any default under the Management Agreement shall be a default under this Lease.

ARTICLE 4

BASE RENT

Section 4.1 Base Rent. Cooperative shall pay to Landlord base rent for the Land in accordance with the following schedule:

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|----------------------------|-------------------------------|
| First year of Lease term: | No Rent |
| Second year of Lease term: | \$200/cooperative unit/year |
| Third year of Lease term: | \$300/cooperative unit/year |
| Thereafter: | As adjusted per formula below |

payable in equal monthly installments due on the first day of each month during the Lease term. Commencing on the fourth anniversary of this Lease and continuing on each anniversary thereafter, the base rent shall be adjusted upward, but not downward, annually by the percentage that the Price Index (as defined herein) on an anniversary date exceeds the Price Index on the immediately preceding anniversary date. Until such adjustment percentage can be calculated each year Cooperative shall continue to pay the rent amount at the rate applicable to the preceding year.

The term "Price Index" shall mean the Consumer Price Index for all Urban Consumers (CPI-U): Boston Average; all items (unadjusted) (1967=100), published monthly by the Bureau of Labor statistics, U.S. Department of Labor, or any similar successor index published or maintained by the United States government.

Section 4.2 Rent Payment. Rent shall be paid to Landlord at the address set forth on Page 1 of this Lease or to such other address as Landlord shall from time to time designate in writing to Cooperative.

ARTICLE 5

ADDITIONAL RENT; REAL ESTATE TAXES

Section 5.1 Impositions. Cooperative agrees to pay, as additional rent, directly to the appropriate taxing or other governmental authorities having jurisdiction (before any fine, penalty, interest or cost may be added thereto for the non-payment thereof) any and all taxes; assessments including, but not limited to, all assessments for public improvements or benefits, water, sewer, charges for public utilities, excise, levies, licenses, permit and inspection fees; and other governmental charges, general and special, ordinary and extraordinary, foreseen and unforeseen, of any kind and nature whatsoever, which at any time during the term of this Lease are assessed, levied, imposed upon, or become due and payable out of or in respect of, or become a lien on the Land or the leasehold estate hereby created or which arise in respect of the operation, possession, occupancy or use of the Land (collectively the "Impositions" and individually "Imposition").

Section 5.2 Evidence of Payment; Escrows. Cooperative shall furnish to Landlord, promptly after payment of any Impositions, and in all events not later than fifteen (15) days prior to the date when any Imposition would become delinquent, official receipts or other satisfactory proof evidencing payment of such Impositions. Upon Cooperative's failure to pay such Impositions as above provided, and the continuation of such failure for ten (10) days after notice from Landlord, Landlord shall have the right, at Landlord's option, to require Cooperative to (a) promptly deposit with Landlord funds for the payment of current Impositions required to be paid by Cooperative, and (b) also deposit one-twelfth (1/12th) of the current annual Impositions or those of the preceding year, if the current amounts thereof have not been fixed, on the first day of each month in advance. Any deposits so received by Landlord shall be held and applied to the payment of such Impositions, but in no event shall the Cooperative be entitled to receive interest upon such deposits.

Section 5.3 Right to Contest. Cooperative shall have the right to contest the amount or validity, in whole or in part, of any Imposition by appropriate proceedings diligently conducted in good faith, but only after payment of such Imposition or, if payment would operate as a bar or impediment to such contest, after depositing with Landlord security reasonably satisfactory to Landlord sufficient to cover any such contested Imposition, interest, penalties and charges. Cooperative further agrees that each such contest shall be promptly prosecuted to a final conclusion or settlement, at Cooperative's sole cost. Promptly after the final settlement or determination Cooperative shall pay all amounts which shall be assessed, together with all penalties, fines, interest, costs and expenses.

Section 5.4 Retained Improvements. Notwithstanding the foregoing, Landlord shall be solely responsible for all Impositions relative to the Retained Improvements. Landlord and Cooperative agree to cooperate with each other in any petition made to any governmental authority for a separate assessment of the Retained Improvements. In the event the Retained Improvements are not separately assessed or valued for tax purposes, Landlord agrees to pay to Cooperative Landlord's allocable share of all Impositions within thirty (30) days after Cooperative's submission to Landlord of an invoice therefor.

For the purposes of the immediately preceding paragraph, Landlord's allocable share of Impositions with respect to Retained Improvements shall be equal to that percentage which is based upon the relation that the relative value (based upon a fair estimate of relative construction replacement costs) of any Retained Improvements bears to the total value of all other Improvements ("Landlord's Value Percentage").

ARTICLE 6

ADDITIONAL RENT; INSURANCE

Section 6.1 Liability, Hazard and Other Insurance. Cooperative, at its sole expense, shall maintain, or caused to be maintained, for the benefit of Landlord (and Landlord shall be named as a party-insured or loss payee in said policies), comprehensive general public liability insurance with respect to the Land and Improvements, such insurance to afford protection in minimum limits of liability of not less than Five Hundred Thousand Dollars (\$500,000) per occurrence, and One Million Five Hundred Thousand Dollars (\$1,500,000) in the aggregate. Cooperative, at its sole cost and expense, shall carry with respect to the Improvements, for the benefit of Landlord (and Landlord shall be named as a party-insured or loss payee in said policies), insurance against loss or damage to the Improvements by fire and any of the risks covered by insurance of the type now known as "risks of physical loss" or "all risk" which shall contain a "Replacement Cost Endorsement" (covering 100% of the full replacement costs, from time to time of any Improvements) and insurance against such other hazards and contingencies as Landlord shall from time to time reasonably require (including, without limitation, builder's risk insurance) during any construction, and loss of income insurance. Each such policy of insurance required to be carried by Cooperative pursuant to this Article 6, or a certificate thereof, shall be promptly deposited with Landlord, and in the case of the renewal of such policy, shall be deposited not less than seven (7) days prior to the expiration date of the expiring policy. Such policies shall provide that they may not be canceled or coverage reduced without at least thirty (30) days' prior written notice to Landlord or such lesser notice period as is available under insurance policies issued by

responsible insurance companies then doing business in the State of Maine. In addition, if Cooperative shall elect not to renew any such policy, Cooperative shall send Landlord written notice thereof at least seven (7) days prior to the expiration of such policy, accompanied by copies of the policy or policies which Cooperative proposes to substitute therefor. Such policies of insurance as Cooperative is required to carry hereunder may contain reasonable deductibles if Cooperative so elects. Cooperative agrees to increase the amount of insurance it carries if higher limits than those provided for in the preceding paragraph are generally being carried on buildings used for purposes similar to the uses being conducted on the Land from time to time, or upon the written request of Landlord.

Section 6.2 Additional Insurance. In addition to the insurance required to be maintained by Cooperative pursuant to the provisions of Section 6.1, Cooperative shall maintain, at its sole expense, such other insurance as from time to time shall be required by the holder of any mortgage on the Land.

Section 6.3 Retained Improvements; Landlord's Insurance. Landlord agrees to carry, with respect to any Retained Improvements, fire and casualty insurance in such form as Cooperative is required to carry hereunder (e.g., "risks of physical loss" or "all risk" insurance containing a "Replacement Cost Endorsement") or, if Cooperative carries such insurance on Landlord's behalf, to reimburse Cooperative for Landlord's Value Percentage of all costs associated with such insurance.

Section 6.4 Release of Claims. Insofar as and to the extent that the following provision may be effective without invalidating or making it impossible to secure insurance coverage obtainable from responsible insurance companies doing business in the State of Maine (even through extra premium may result therefrom), Landlord and Cooperative mutually agree that with respect to any loss which is covered by insurance then being carried by each of them, respectively, the one carrying such insurance and suffering said loss releases the other of and from any and all claims with respect to such loss; and they further mutually agree that their respective insurance companies shall have no right of subrogation against the other on account thereof. In the event that an additional premium is payable by either party as a result of this provision, the other party shall reimburse the party paying such premium in the amount of such extra premium.

Section 6.5 Indemnity by Cooperative. Cooperative agrees to defend, indemnify and save harmless Landlord from and against all claims of whatever nature, including environmental claims arising from any act, omission or negligence of Cooperative, or Cooperative's stockholders, contractors, licensees, agents, employees or invitees, or arising from any accident, injury, or damage whatsoever caused to any person, or to the property of any person on the Land or the Improvements where such accident, damage or injury results or is claimed to have resulted from an act or omission on the part of

Cooperative or Cooperative's stockholders, contractors, licensees, agents, employees or invitees. This indemnity and hold harmless agreement shall include indemnity against all costs, expenses and liabilities incurred in or in connection with any such claim or proceeding brought thereon, and the defense thereof and shall expressly survive the termination of this Lease.

ARTICLE 7

CONSTRUCTION, REPAIRS, MAINTENANCE AND ALTERATIONS

Section 7.1 Construction. On the Commencement Date and periodically thereafter, Landlord shall assign to Cooperative all construction guarantees and warranties given to Landlord by material suppliers and the like with respect to the Improvements (the "Assignment") conveyed to Cooperative from time to time. Landlord agrees to remedy, at its sole cost and expense, any defects in construction of the Improvements provided that (a) notice of such defect with respect to any building included in the Improvements is given to Landlord by Cooperative within one (1) year from the date of issuance of the final and unconditional certificate of occupancy for that building, (b) the defect is not a result of any act, omission, misuse or negligence of Cooperative, its stockholders, contractors, licensees, agents, employees or invitees, and (c) the defect is not covered by any guaranty or warranty which Cooperative can enforce by virtue of its rights under the Assignment.

Section 7.2 Cooperative's Repair and Maintenance Obligations. Except as expressly set forth in Sections 7.1 and 7.3, Cooperative agrees to be solely responsible for maintaining the Land and the Improvements and each and every part thereof in good condition throughout the term of this Lease, reasonable wear and use only excepted and agrees, without limitation, to: (a) maintain, repair and replace the roofs, foundations, exterior walls, paved parking areas, garages and all other structural components, (b) maintain, repair and replace the HVAC, gas, electric, water, sewer, telephone and all other utilities, pipes and conduits serving the Improvements, (c) maintain the grounds, trails, landscaping and other natural features, (d) promptly remove snow and ice from all driveways and walkways, (e) repair or replace any cracked or broken glass, and (f) maintain, repair and replace the interior portions of the Improvements, whether part of common areas or residential units, including periodic painting, carpeting and redecorating. All work performed by Cooperative shall be done in a good and workmanlike manner consistent with the quality of the original construction and in compliance with all applicable laws, ordinances and regulations. Cooperative shall not permit or commit any misuse or waste.

Section 7.3 Retained Improvements. Landlord agrees to be solely responsible for all maintenance, repairs and replacements to any Retained Improvements and all utility pipes, lines or conduits wholly located therein and exclusively servicing the Retained Improvements. However, Cooperative agrees to assume all obligations for maintenance, repair and replacement of all easements and utility lines serving both the Retained Improvements and the Improvements owned by Cooperative. In addition, if Cooperative provides maintenance and repair services for the Retained Improvements, Landlord shall reimburse Cooperative the cost of such services. If the services jointly benefit Cooperative's Improvement and the Retained Improvements, the cost will be allocated to Landlord based on the Landlord's Value Percentage.

Section 7.4 Alterations; Compliance. Cooperative agrees that it shall not make any alterations to the Improvements which would affect the structural or exterior portions thereof or which would materially alter the present aesthetic quality of the Improvements or construct any additional improvements on the Land without first obtaining the express written consent of Landlord.

Cooperative shall not request or apply for any variance, special permit, license or rezoning with respect to the Land or the Improvements without the prior written consent of Landlord. To the extent that joinder of Landlord therein shall be required in connection with any such request or application, Landlord agrees to cooperate fully with Cooperative; but any and all proceedings shall be solely at the cost and expense of Cooperative.

All Improvements structures hereafter erected on the Land shall be constructed in a good and workmanlike manner, consistent with the quality of the Original Improvements and in compliance with all applicable building and environmental laws, ordinances and regulations.

Section 7.5 Mechanic's Liens. No mechanic's, materialmen's or similar lien shall ever attach against the Landlord's interest in the Land by reason of any work performed by or for Cooperative. If any such lien shall be put of record, Cooperative agrees immediately to arrange for the discharge of said lien by payment, bonding, or otherwise as may be required to discharge the lien.

Section 7.6 Hazardous Waste. Cooperative agrees that it shall not use or dispose of any toxic or hazardous materials or substances on the Land and shall promptly notify Landlord of any filing, notice, claim or action, pending or threatened, by any governmental agency having jurisdiction over the Land or Improvements on account of any toxic or hazardous materials or substances. In the event any liability is imposed upon Landlord pursuant to any federal, state or local law governing toxic or hazardous waste

on account of any act or negligence of Cooperative, its agents, servants, employees or independent contractors, Cooperative agrees to be solely responsible for all costs of removal, clean-up or remediation associated therewith and to fully indemnify and hold Landlord harmless from all loss, costs, liability and claims, including defense thereof, suffered by Landlord in connection therewith which indemnity agreement shall expressly survive the termination of this Lease. In the event of any hazardous or toxic material is deposited on the Land, without the fault of either Landlord or Cooperative, the parties agree to share in all costs of removal or remediation of such hazardous or toxic materials, in the proportion as costs of maintenance are allocated pursuant to Section 7.3.

ARTICLE 8

PARKING AND EXTERIOR COMMON AREAS

Section 8.1 Parking. Parking on the Land consists of certain parking spaces reserved for the use of Penobscot Shores residents, and certain covered carports also located on the Land. So long as the covered carports are retained by Landlord as Retained Improvements, parking in the carports shall be in accordance with separate license agreements between Landlord and Penobscot Shores residents.

Section 8.2 Exterior Common Areas. Cooperative agrees that its use of the Land is subject to the rights, privileges and encumbrances of record including the right of others to use pathways and walkways located on the Land. Cooperative covenants and agrees to maintain all exterior common facilities in accordance with the terms of this Lease and to insure that the same are not obstructed or disturbed in any manner.

ARTICLE 9

UTILITIES

Section 9.1 Payment by Cooperative. Cooperative shall pay for all of its requirements for utilities, including, but not limited to, gas, steam, water, electricity, telephone, sewer and the like. Landlord agrees to pay for its allocable share of all utilities consumed by any Retained Improvements to the extent that the same are not separately metered. Landlord agrees to reimburse Cooperative for Landlord's allocable share of such costs and expenses within thirty (30) days after it has received a bill from Cooperative. For the purposes of this Article 9, Landlord's allocable share of said costs and expenses shall be equal to Landlord's Value Percentage. In all events, Cooperative agrees to pay all utility charges at such time and in such manner to assure that there is no interruption of service to any Retained Improvements or to residents of Penobscot Shores.

ARTICLE 10

CORE SERVICES

Section 10.1 General Requirements and Standards. Cooperative agrees that it shall provide at a minimum the Core Services to residents of Penobscot Shores. Cooperative expressly covenants and agrees that it shall not eliminate or substantially modify the availability of the Core Services without the express written consent of Landlord. In addition, Cooperative agrees that during the term of this Lease it shall operate and maintain the Land and the Improvements in a quality manner consistent with such reasonable standards as Landlord may impose.

ARTICLE 11

MANAGEMENT AND OPERATION

Section 11.1 Management Agreement. Cooperative has, contemporaneously with the execution of this Lease, entered into a Management Agreement with Landlord (the Landlord is accordingly sometimes referred to herein as the "Manager"). In the event the Management Agreement is terminated for any reason, Cooperative agrees that it shall not enter into any other management agreement without first presenting for Landlord's review and approval a substitute professionally qualified manager and the proposed form of the new management agreement and obtaining the express consent of Landlord thereto, which consent shall not be unreasonably withheld or delayed.

Section 11.2 Resale Restrictions. Cooperative agrees that throughout the term of this Lease, Manager shall have the exclusive right to act as sales agent relative to cooperative shares in the Cooperative and shall be paid fees for such services as provided in Cooperative's bylaws and in the Residency Agreements with Penobscot Shores residents. Cooperative agrees that it shall not authorize, permit or consummate any transfers of its stock which have not been made in compliance with such resale procedures.

Section 11.3 Operating Budget. Cooperative agrees that all fees charged by Cooperative to residents of Penobscot Shores shall be sufficient (a) to cover the reasonably projected expenses of operation, (b) to fund and maintain adequate reserves for capital repairs and replacements to Penobscot Shores; (c) to cover projected costs of maintaining any vacant residential unit, and (d) to meet Cooperative's contractual obligations, all in accordance with the standards provided in this Lease and with sound fiscal management.

Section 11.4 Compliance with Organizational Documents. Cooperative agrees to enforce against its stockholders, directors and officers the terms of its Articles of Incorporation, bylaws and Residency Agreements, including those provisions applicable to voting rights, the election of directors, eligibility to reside at **Penobscot Shores** and the resale of stock. The purpose of this Section 11.4 is to make Landlord a third party beneficiary of these agreements and, in furtherance of this purpose, Cooperative agrees that Landlord shall have the right to enforce directly any of Cooperative's rights under such documents.

ARTICLE 12

FINANCING

Section 12.1 Construction Loan. Landlord has obtained, and there is presently of record, a mortgage to Key Bank of Maine (the "Lender") securing a construction loan with respect to the construction of the Original Improvements in the original principal amount not to exceed \$4,700,000. This Lease is subordinate to the lien and rights of the Lender under said mortgage, and to all amounts advanced and to be advanced by Lender thereunder. Upon the initial sale of cooperative shares to third parties and the execution by Cooperative of Residency Agreements for units in **Penobscot Shores**, the sales proceeds shall be applied to reduce the construction loan indebtedness and the Lender shall execute and deliver, in recordable form, recognition and non-disturbance agreements in favor of the stockholders with respect to the shares so sold and the units so leased.

Section 12.2 Future Loans. This Lease is subject to the Landlord's exclusive right to control all future development on the Land. In the event Landlord obtains financing relative to such future development it may, without the consent of Cooperative, mortgage, pledge or assign its interest in the Land and in this Lease, and may require the Cooperative to assign its interest in this Lease and to the Residency Agreements as security for such loans; provided that it shall be a condition of such mortgage, pledge or assignment that the lender execute a recognition and non-disturbance agreement in favor of Cooperative and all persons who are then stockholders of Cooperative and who by virtue of such stock ownership occupy units at **Penobscot Shores** under Residency Agreements. Cooperative agrees to execute and deliver any and all documents reasonably deemed necessary by the Landlord or the mortgagee, pledgee or assignee to give effect to the foregoing, including a subordination agreement relative to its interest in the Lease or to the Land.

Section 12.3 Protection of Mortgagee. If in connection with any mortgage by Landlord of the Land there shall be executed an assignment by Landlord of Landlord's

interest in this Lease, or the rents payable hereunder, conditional in nature or otherwise, Cooperative agrees:

A. That the execution thereof by Landlord and the acceptance thereof by the mortgagee or assignee (herein referred to as the "Holder"), shall never be deemed an assumption by the Holder of any of the obligations of the Landlord hereunder unless the Holder shall, by written notice sent to Cooperative, specifically otherwise elect; and

B. That Cooperative shall execute such instruments as may be reasonably required to assure the Holder that without written consent of the Holder: (i) no rent shall be prepaid hereunder other than for the current and next ensuing month or as expressly set forth in this Lease; (ii) no modifications shall be made in the provisions of this Lease; and (iii) this Lease shall not be terminated except as expressly provided herein, nor shall the Cooperative accept a surrender of this Lease except incident to a termination provided for herein.

Section 12.4 Pledges and Encumbrances. Cooperative covenants and agrees that it shall not sell, transfer, mortgage, pledge, encumber or hypothecate the Improvements or Cooperative's leasehold interest in the Land nor permit the same to become encumbered without the express written consent of Landlord, which consent shall not be unreasonably withheld or delayed.

ARTICLE 13

ASSIGNMENT AND SUBLETTING

Section 13.1 Subletting; Prohibition. Except with respect to the rental by Cooperative of residential units and ancillary improvements owned by it at Penobscot Shores, Cooperative shall not have the right to sublet all or any portion of the Land without the prior written consent of Landlord, which consent Cooperative agrees Landlord may withhold in its sole discretion.

Section 13.2 No Assignment. Cooperative shall not without the prior written consent of Landlord, which consent Cooperative agrees Landlord may withhold in its sole discretion, assign this Lease or Cooperative's interest herein.

Section 13.3 Agreement to be Bound. In the event Landlord consents to a subletting of all or any portion of the Land, or to an assignment of Cooperative's interest herein, it shall be a condition of any such subletting or assignment that the sublessee or assignee agree in writing with Landlord to be bound by the terms of this Lease. Further-

more, any such subletting or assignment shall not relieve Cooperative of its obligations under this Lease.

Section 13.4 Landlord's Right to Sell. Landlord retains the right to sell, transfer or convey its interest in the Land at any time, conditioned only to the transferee accepting title to the property subject to this Lease. Upon the occurrence of any such transfer, Landlord shall have no further obligations under this Lease.

ARTICLE 14

CASUALTY DAMAGE

Section 14.1 Duty to Reconstruct or Terminate. In the event of fire or other casualty to the Improvements, Cooperative shall commence and diligently complete the repair of such damage and the restoration of the Improvements at least to their condition immediately prior to such damage. Should any insurance proceeds available to Cooperative on account of any such fire or other casualty be insufficient to fully restore the Improvements to their former condition, or if the same is an uninsured casualty, Cooperative shall nevertheless be obligated to make up any insufficiency.

Notwithstanding the foregoing, if more than fifty percent (50%) of the total square footage of the Improvements are damaged by fire or other casualty, then Cooperative shall have the right to terminate this Lease upon written notice to Landlord given within thirty (30) days from the date such damage occurs and to receive all insurance proceeds payable on account of such casualty. Failure to give such notice within said thirty (30) day period shall be deemed an agreement on the part of Cooperative to restore the Improvements as aforesaid. Whether or not Cooperative terminates this Lease pursuant to the provisions of this Section 14.1, Cooperative shall be obligated to complete any demolition, remove all unsightly and unsafe debris and rubble and put the Land in as neat and clean a condition as practicable promptly following receipt of insurance proceeds on account of any casualty.

Section 14.2 No Rent Abatement. Except upon termination of this Lease in accordance with this Article 14, in no event shall base rent or additional rent be suspended or abated as a result of any fire or other casualty loss.

ARTICLE 15

EMINENT DOMAIN AND PUBLIC DEDICATION

Section 15.1 Termination and Allocation of Award. In the event of a taking of fifty percent (50%) or more of the Land or Improvements by reason of eminent domain or other action of public authority this Lease shall forthwith terminate and the entire amount of any award(s) paid or payable shall be allocated as follows:

A. First there shall be paid to the Lender, or any other lender relative to future developments, the amount required to pay and discharge in full all indebtedness secured by mortgages on the Land and the Improvements.

B. The balance, if any, shall be allocated between Landlord and Cooperative in a manner which shall reflect the respective interests of Landlord and Cooperative in the demised premises immediately prior to such taking.

Section 15.2 Partial Taking. In the event of a taking (as aforesaid) of less than fifty percent (50%) of the entire Land or the Improvements, then the proceeds paid or payable by reason of such taking shall be allocated as follows:

A. If the Improvements may be restored with reasonable prospects of economic viability, the proceeds shall be made available to the extent necessary to enable Cooperative to repair and restore the premises.

B. If the then holder or holders of mortgage(s) on the Land or the Improvements shall require that the balance of the proceeds be applied against the mortgage indebtedness, that application shall be made.

C. Any remainder shall be paid over in accordance with an allocation made as provided in Section 15.1B.

Unless Landlord shall have received any portion of said proceeds, there shall be no abatement of the rent payable by Cooperative to Landlord under this Lease. In the event that Landlord shall have received any such proceeds, then the rent payable hereunder shall be proportionately reduced.

Section 15.3 Temporary Taking. If the temporary use of the whole or any part of the Land or the Improvements shall be taken at any time during the term of this Lease for any public or quasi-public purpose Cooperative shall give prompt written notice thereof to Landlord and the term of this Lease shall not be reduced or affected in any

way. Cooperative shall continue to pay in full the rent, additional rent, and other sum or sums of money provided to be paid by Cooperative in accordance with this Lease, but Cooperative shall be entitled to retain the entire award for such taking.

Section 15.4 Costs; Joinder. Any and all proceedings brought by Cooperative in connection with any taking referred to in this Article 15 shall be conducted by and at the sole expense of Cooperative, but Cooperative shall, be entitled to be reimbursed for all costs incurred in prosecuting such claim (including without limitation, legal, accounting, engineering and appraisal expenses) and the award to be allocated as set forth above shall be the net award after deducting such costs and expenses. If any provision of law now or hereafter in effect shall require that said proceedings be brought by or in the name of the Landlord, or any owner of the Land, Landlord shall join in such proceeding.

ARTICLE 16

DEFAULT; DISPUTE RESOLUTION

Section 16.1 Events of Default. An "Event of Default" shall occur: (a) if Cooperative shall neglect or fail to perform any of the monetary or non-monetary covenants, terms or provisions contained in this Lease or the Management Agreement on Cooperative's part to be performed or observed within thirty (30) days after receipt of notice of default from Landlord, or within such additional time beyond said thirty (30) day period as may be reasonably required to correct any default (but only if Cooperative promptly commences and thereafter diligently prosecutes to completion all necessary curative action), or (b) if Cooperative shall be adjudicated bankrupt or insolvent, or if a receiver, trustee, or liquidating officer shall be appointed with respect to the Land and any of the same is not discharged within sixty (60) days after appointment, or (c) if Cooperative shall make an assignment for the benefit of its creditors by trust, mortgage or otherwise, or (d) if Cooperative shall file a voluntary petition in bankruptcy or insolvency under any bankruptcy or insolvency law now in force or hereafter enacted (federal, state or otherwise), or (e) if an involuntary petition under any of such laws shall be filed against Cooperative and such petition shall not be discharged within sixty (60) days after its filing.

Section 16.2 Default. Should any Event of Default occur, then, Landlord lawfully may, in addition to any remedies otherwise available to Landlord, immediately or at any time thereafter, and without demand or notice, enter into and upon the Land or any part thereof in the name of the whole and repossess the same as Landlord's former estate, and expel Cooperative and those claiming through or under it and remove its or their effects (forcibly if necessary) without being deemed guilty of any manner of trespass, and

without prejudice to any other legal or equitable remedies which might otherwise be available to Landlord and/or Landlord may send written notice to Cooperative terminating this Lease. Upon the first to occur of (a) entry as aforesaid or (b) the fifth (5th) day following mailing of such notice of termination, this Lease shall terminate. Alternatively, Landlord shall have the right, should any Event of Default occur, to require specific performance of Cooperative's obligations hereunder.

Section 16.3 Liability for Rent and Charges. Cooperative agrees, to pay and be liable for all rent and other charges due from Cooperative under this Lease as if this Lease had not been terminated for the remainder of the term; but in the event the Land be relet by Landlord, Cooperative shall be entitled to a credit in the net amount received by Landlord in reletting, after deduction of all expenses incurred in reletting the Land (including, without limitation, brokerage fees and remodeling costs), and in collecting the rent in connection therewith. Cooperative hereby waives, to the extent permitted by applicable law, any obligation the Landlord may have to mitigate Cooperative's damages. As an alternative, at the election of Landlord, Cooperative will upon such termination pay to Landlord, as damages, such a sum as at the time of such termination represents the amount of the excess, if any, of the then value of the total rent and other benefits which would have accrued to Landlord under this Lease for the remainder of the term if the Lease terms had been fully complied with by Cooperative over and above the then cash rental value (in advance) of the Land for the balance of the term.

Section 16.4 Self Help. If Cooperative shall default in the performance or observance of any agreement, condition or other provision contained in this Lease on its part to be performed or observed and shall not cure such default within thirty (30) days after notice in writing from Landlord specifying the default (or, in the event such default shall require more than thirty (30) days to be cured, if the Cooperative shall not, within said period, commence to cure such default and thereafter, with due diligence, prosecute the curing of such default to completion) Landlord may, at its option, without waiving any claim for breach of agreement, at any time thereafter, cure such default for the account of Cooperative, and Cooperative shall reimburse Landlord for any amount paid and any expense or contractual liability so incurred, including reasonable attorneys' fees.

Section 16.5 Mediation. Each party agrees to negotiate reasonably and in good faith with the other to determine or settle the proper interpretation of this Lease and their relative rights and duties hereunder; but if they are unable promptly to agree, the entire matter shall be submitted to mediation conducted by a reputable mediation service selected jointly by the parties and operating in the vicinity of Belfast, Maine. If any dispute is not resolved expeditiously through mediation, either party may enforce its rights under this Lease by seeking such legal and equitable remedies as may be available to it.

ARTICLE 17

MISCELLANEOUS PROVISIONS

Section 17.1 Status Report. Landlord and Cooperative agree at any time, and from time to time, upon not less than ten (10) days' prior written request by the other, to execute, acknowledge and deliver to the other a statement in writing certifying that this Lease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified, and stating the modifications), and the dates to which the rent and other charges have been paid in advance, if any, it being intended that any such statement delivered pursuant to this Section 17.1 may be relied upon by any prospective mortgagee or assignee of any mortgage on the Land, or any portion thereof.

Section 17.2 Provisions Binding; Liability Limited. The term "Landlord" wherever used in this Lease shall be deemed to mean the corporation, persons or other legal entity holding the rights of Landlord under this Lease at the time in question. Cooperative specifically agrees to look solely to Landlord's interest in the Land for recovery of any judgment from Landlord; it being specifically agreed that neither the Landlord nor anyone claiming under the Landlord shall ever be personally liable for any such judgment, and in no event shall Landlord ever be liable to Cooperative for any indirect or consequential damages.

All of the covenants, agreements, stipulations, provisions, conditions, options and obligations herein expressed and set forth shall be considered as running with the Land and shall (unless herein otherwise specifically provided) extend to, bind and inure to the benefit of, as the case may require, the successors and assigns of Landlord and Cooperative, respectively, or their successors in interest.

Section 17.3 Notices. Any and all notices, requests, designations, demands and the like, required to be given or served by the terms of this Lease, either by Landlord to Cooperative, or by Cooperative to Landlord, shall be in writing, and shall be delivered in person or by facsimile transmission or be sent by registered or certified mail, return receipt requested, addressed to the party intended to be notified. Communications on behalf of Landlord and Cooperative shall be addressed to them at the addresses set forth on Page 1 of this instrument or to such other address or addresses as either party shall from time to time hereafter designate by like notice to the other. Notices shall be deemed to be effective upon delivery in the case of delivery in person or by facsimile delivery or three (3) days after delivery by mail.

Section 17.4 Invalidity of Particular Provisions. If any term or provision of this Lease or the application thereof to any person or circumstances shall to any extent be invalid or unenforceable, the remainder of this Lease, or the application of such term or provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term and provision of this Lease shall be valid and shall be enforceable to the fullest extent permitted by law.

Section 17.5 Recording. Each party hereto, on the request of the other, agrees to execute a so-called Memorandum of Lease in recordable form complying with applicable law. In no event shall such document set forth the rent or other charges payable by Cooperative hereunder.

Section 17.6 Waiver. No failure by Landlord or Cooperative to insist upon the strict performance of any provision, condition or agreement contained in this Lease to be performed by the other shall ever be deemed to be a waiver of such provision as to any subsequent event constituting nonperformance or observance by such party.

Section 17.7 Force Majeure. Except with respect to the payment of monetary sums due from one party to the other, each party to this Lease shall be excused from performance of its other obligations hereunder for such period of time that such party is prevented from performing the same for causes beyond its reasonable control, such as acts of God, strikes, and the like (but financial inability shall never be deemed to be a cause beyond the reasonable control of such party), provided: (i) the party so delayed shall promptly notify the other of the reason for any such delay; and (ii) the party thus delayed shall complete performance of such obligations within a reasonable period of time after the cessation of the cause of such delay and with all due diligence.

Section 17.8 Interest. All payments becoming due under this Lease and not paid when due shall bear interest from the applicable due date until received by Landlord at the lesser of (i) two percent (2%) per annum above the prime rate published from time to time in the Wall Street Journal; or (ii) the highest lawful rate of interest permitted at the time in the State of Maine.

Section 17.9 Amendments. This document shall become effective and binding only upon the execution and delivery hereof by both Landlord and Cooperative. All negotiations, considerations, representations and understandings between Landlord and Cooperative are incorporated herein and this Agreement may be modified or altered only agreement in writing between Landlord and Cooperative.

Section 17.10 Paragraph Headings. The paragraph headings throughout this instrument are for convenience only, and the words contained therein shall in no way be

held to explain, modify, amplify or aid in the interpretation or construction of meaning of the provisions of this Lease.

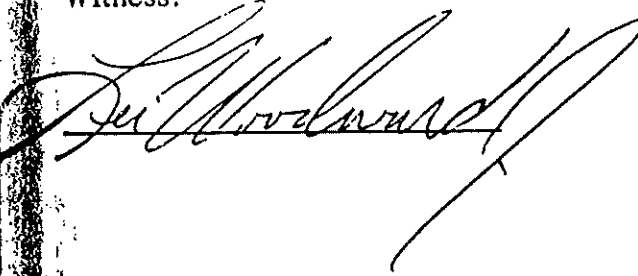
Section 17.11 Governing Law. This Lease shall be governed exclusively by the provisions hereof and by the laws of the State of Maine, as the same may from time to time exist. This Lease may be enforced in the courts of the State of Maine, with venue in the County of Waldo, if feasible.

Section 17.12 Purchase Option. At the expiration of the term of this Lease, Cooperative shall have the right and option to purchase the Land from Landlord for its then fair market value, determined by independent appraisal conducted by a qualified appraiser jointly selected by Landlord and Cooperative. Such option must be exercised by Cooperative delivering written notice to Landlord within ninety (90) days after such expiration.

WITNESS the execution hereof as of the date and year first above written.

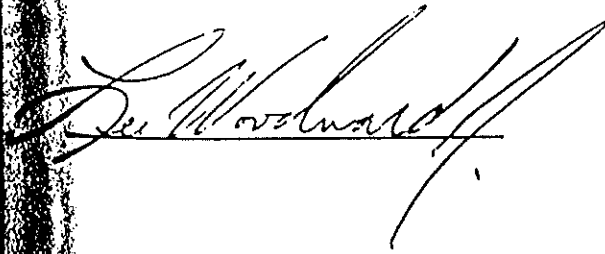
Witness:

PENOBSCOT SHORES ASSOCIATION



By: Margaret Hayes
Its Authorized Agent *Executive Director*

WALDO COUNTY HEALTHCARE
MANAGEMENT COMPANY



By: [Signature]
Its

EXHIBIT A

That certain lot or parcel of land ...

a:\waldo\ground.le3