

**City of Portland, Maine
Finance Committee Meeting
Thursday, February 13, 2014
6:00 p.m., Room 209 City Hall**

AGENDA

1. Approval of Minutes from January 9 meeting.
2. Discussion and recommendation on excise tax exemption ordinance for deployed military residents
3. Review and recommendation to City Council on property lease and future acquisition of 212 Canco Road for City Department consolidation.

NOTE: Executive Session: Pursuant to 1 M.R.S.A. 405(6)(C) and (F) and 5 M.R.S.A. 13119-A, the Committee may go into executive session to discuss negotiations on this real estate lease/acquisition.

**Finance Committee
Meeting Minutes
Thursday, January 9, 2014**

Attendees: Chair Mavodones, Finance Committee members Marshall and Suslovic; School Finance Committee Chair Davis, School Finance Committee members Costa and Trevorrow; City Manager Mark Rees, School Superintendent Emmanuel Caulk, Hank Farrah, Principal, Runyon Kersteen, Ouellette; other staff and public.

Chair Mavodones opened the meeting—called to order.

- 1. Approval of Minutes for November 7, 2013 meeting—approved, 3-0**
- 2. Audit results for FY2013—Runyon, Kersteen, Ouelette.**
Presented and received by the Finance Committee acting as the Audit Committee for the City.
- 3. Update on Elementary Schools “Buildings for Our Future” recommended school construction projects**
Discussion
- 4. Discussion of workplan and schedule for the Committee**
Discussion. Committees will have joint meetings when needed; Monthly meetings will be held on the second Thursday of each month, holding the fourth Thursday of each month when needed. Meetings will start at 6:00 p.m. to accommodate members’ schedules.
- 5. Meeting adjourned.**

CITY OF PORTLAND, MAINE
MEMORANDUM

TO: Chair Mavodones, Members of the Finance Committee

FROM: Ellen Sanborn, Finance Director



DATE: January 22, 2014

RE: Information on Excise Tax Exemption for Military Residents

At the Mayor and the Committee's request, I am providing information for use in your consideration of an ordinance to allow exemption of payment of excise tax for deployed military residents of Portland.

I have attached a copy of the language in State Statute Title 36, enacted in 2011, that describes this exemption. It allows municipalities to enact an ordinance to allow it for residents who are on active duty, as described in the statute and also as defined in Title 26 as "deployed for military service" (also attached). Residents (or their agent) would need to provide certification from their commanding officer at the time of registration.

Determining the value of this exemption in excise tax for the City can only be based on my best guess at how many residents would be eligible and the value of the tax on their vehicles. I was not able to find much information on how many other communities in Maine have enacted ordinances for this exemption, other than the town of Scarborough, who had about 50 last year.

We do approximately 40,000 vehicle registrations per year, with an average of \$202 per registration, understanding that there is a wide range of individual tax paid. I have no data to support estimating how many of those would have been eligible for the exemption. Using Scarborough as a base and proportionately calculating similar activity for Portland, I would estimate 165 registrations for a total value of about \$33,000. For perspective, our excise tax revenue last year totaled approximately \$9.7 million.

Attached for your review is also a draft ordinance prepared by Legal that would go to the Council for approval with your recommendation.

Maine Revised Statutes

Title 36: TAXATION

Chapter 111: AIRCRAFT, HOUSE TRAILERS AND MOTOR VEHICLES

§1483-A. LOCAL OPTION EXEMPTION FOR RESIDENTS PERMANENTLY STATIONED OR DEPLOYED FOR MILITARY SERVICE OUTSIDE OF THE STATE

A municipality may by ordinance exempt from the annual excise tax imposed pursuant to section 1482 vehicles owned by a resident who is on active duty serving in the United States Armed Forces and who is either permanently stationed at a military or naval post, station or base outside this State or deployed for military service for a period of more than 180 days who desires to register that resident's vehicle in this State. To apply for the exemption, the resident must present to a designated municipal official certification from the commander of the resident's post, station or base, or from the commander's designated agent, that the resident is permanently stationed at that post, station or base or is deployed for military service for a period of more than 180 days. For purposes of this section, "United States Armed Forces" includes the National Guard and the Reserves of the United States Armed Forces. For purposes of this section, "deployed for military service" has the same meaning as in Title 26, section 814, subsection 1, paragraph A. [2011, c. 313, §1 (NEW); 2011, c. 313, §2 (AFF).]

SECTION HISTORY

2011, c. 313, §1 (NEW). 2011, c. 313, §2 (AFF).

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Maine Revised Statutes
Title 26: LABOR AND INDUSTRY
Chapter 7: EMPLOYMENT PRACTICES

§814. FAMILY MILITARY LEAVE

1. Definitions. As used in this section, unless the context otherwise indicates, the following terms have the following meanings.

A. "Deployed for military service" or "deployment" means active military duty with the state military forces, as defined in Title 37-B, section 102, or the United States Armed Forces, including the National Guard and Reserves, whether pursuant to orders of the Governor or the President of the United States, when the duty assignment is in a combat theater or in an area where armed conflict is taking place. [2005, c. 523, §2 (NEW) .]

B. "Employee" means any person who may be permitted, required or directed by an employer in consideration of direct or indirect gain or profit to engage in any employment and who has been employed by the same employer for at least 12 months and has been employed for at least 1,250 hours of service during the 12-month period immediately preceding the commencement of the employee's family military leave. [2007, c. 388, §1 (AMD) .]

C. "Employee benefits" means all benefits, other than salary and wages, provided or made available to employees by an employer and includes group life insurance, health insurance, disability insurance and pensions, regardless of whether benefits are provided by a policy or practice of an employer. [2005, c. 523, §2 (NEW) .]

D. "Employer" means:

- (1) Any person, partnership, corporation, association or other business entity; and
- (2) The State, a county, a municipality or any political subdivision. [2005, c. 523, §2 (NEW) .]

E. "Family military leave" means leave requested by an employee who is the spouse, domestic partner or parent of a person who is a resident of the State and is deployed for military service for a period lasting longer than 180 days with the State or United States pursuant to the orders of the Governor or the President of the United States. [2005, c. 523, §2 (NEW) .]

[2007, c. 388, §1 (AMD) .]

2. Family military leave requirement. Subject to the requirements of subsection 3, an employer that employs 15 or more employees shall provide each eligible employee up to 15 days of family military leave per deployment, if requested by the employee. Family military leave under this subsection may be taken only during one or more of the following time frames:

- A. The 15 days immediately prior to deployment; [2007, c. 388, §2 (NEW) .]
- B. Deployment, if the military member is granted leave; or [2007, c. 388, §2 (NEW) .]
- C. The 15 days immediately following the period of deployment. [2007, c. 388, §2 (NEW) .]

Family military leave granted under this section may consist of unpaid leave.

[2007, c. 388, §2 (RPR) .]

3. Notice requirements. An employee taking family military leave under this section is subject to the following.

MICHAEL F. BRENNAN, (MAYOR)
KEVIN J. DONOGHUE (1)
DAVID A. MARSHALL (2)
EDWARD J. SUSLOVIC (3)
CHERYL A. LEEMAN (4)

**CITY OF PORTLAND
IN THE CITY COUNCIL**

JOHN R. COYNE (5)
JILL C. DUSON (A/L)
JON HINCK (A/L)
NICHOLAS M. MAVODONES, JR (A/L).

**AMENDMENT TO CITY CODE CHAPTER 2
(ADMINISTRATION)**

**BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF PORTLAND, MAINE IN
CITY COUNCIL ASSEMBLED AS FOLLOWS:**

1. That Chapter 2 (Administration) is amended to add a new Article X to read as follows:

Article X

**Exemption from Vehicle Excise Tax
for Certain Military Personnel.**

§ 2-436 Definitions.

As used in this Article, the following terms shall have the meanings indicated:

DEPLOYED FOR MILITARY SERVICE

For purposes of this Article, "deployed for military service" as the meaning defined by Title 26, § 814, Subsection 1, Paragraph A, of the Maine Revised Statutes, active military duty with the state military forces, as defined in Title 37-B, § 102, of the Maine Revised Statutes, or the United States Armed Forces, including the National Guard and Reserves, whether pursuant to the order of the Governor or the President of the United States, when the duty assignment is in combat theatre or in an area where armed conflict is taking place.

VEHICLE

For purposes of this Article, "vehicle" has the same meaning as in 36 M.R.S.A. § 1481(5) and does not include any snowmobiles as defined in 12 M.R.S.A. § 13001.

§ 2-437 Exemption granted.

Pursuant to Title 36, § 1483-A, of the Maine Revised Statutes, the City shall exempt from the annual excise tax imposed pursuant to Title 36, Section 1482, of the Maine Revised Statutes vehicles owned by a Maine resident who is on active duty serving in the Armed Forces of the United States as defined by Title 36, § 1483-A, of the Maine Revised Statutes and who is permanently stationed at a military or naval post, station or base outside of the State of Maine or who is deployed for military service for more than 180 days. To apply for the exemption the resident must provide documentation as required pursuant to Title 36, § 1483-A, of the Maine Revised Statutes to the Tax Collector or his/her designee and comply with any policies or rules imposed by the Maine Bureau of Motor Vehicles or Maine Revenue Services in relation to registration procedures or the collection of excise tax.



Economic Development Department
Gregory A. Mitchell, Director

MEMORANDUM

TO: Housing and Community Development Committee
Finance Committee
Mark Rees, City Manager

FROM: Greg Mitchell, Economic Development Director
Ellen Sanborn, Finance Director

DATE: February 6, 2014

SUBJECT: **212 Canco Road Property Lease/Purchase Option to support City Department Operations Consolidation**

SUMMARY OF THE ISSUE

This memorandum outlines past City Council approval and financial appropriations to invest \$3.15 million to support a City department operations consolidation plan and recommends City Council action to enter into a lease/purchase option for 212 Canco Road.

City Department Consolidation Plan

Last fall, City staff presented a plan to consolidate a number of City public operations, including the relocation of some of Public Services Department Bayside operations, Fire Alarm and equipment storage, and Recreation and Facility Management Department to a single new location, along with a recommended funding approach. The next page of this memo provides an overview of the department consolidation plan to support a two-phased approach to consolidate listed department services.

City Operations Consolidation Plan continued

<u>Departments Moving</u>	<u>Space Vacated</u>	<u>Efficiencies/Benefits</u>
Currently at 212 Canco:		
Fire Electrical Tactical Equipment New Emergency Command Post	Presumpscot St. (rented space) Presumpscot St. and POT	Allows for leasing opportunities at POT. Provides adequate space for Command Post.
Move to 212 Canco w/Lease:		
Traffic Division City Trades Division	65 Hanover Street 65 Hanover Street	Puts all maintenance in same space allows better standardization. Property available for sale. Creates additional space for Casco Bay High School.
To Move to 212 Canco When Purchase Complete:		
Emergency Operations Center (EOC) School Trades Division	Classroom at PATHS Classroom at PATHS	Allows consistent setup for EOC operations. Creates additional space for Casco Bay High School. Put all maintenance in same space.
Playground/Irrigation Crews	90 Anderson Street	Central to all fields and better efficiencies. Property available for sale.
Recreation & Public Assembly Staff from Cummings Center and Expo	Cummings Center Expo Office Area	Better coordinated and more efficient administration of the Recreation and Facilities Management Division. Provides space for Public Health growth.

Property Lease/Purchase Option for 212 Canco Road

An overview of 212 Canco Road transaction with comments includes:

Property Location: The property is located in a “central service delivery location” in an industrially zoned property with adjacent industrial users.

Property Size: 4.2186 acres

Building Square Footage: 68,730

Municipal Assessed Value: \$3,053,370

Market Appraisal: \$2,740,000 based upon the income approach due to existing below market rate tenant leases.

The lease/purchase approach presents the City with a phased approach, over time, to fully implement the department consolidation plan. The lease/purchase option to acquire 212 Canco Road is structured to meet the needs of the property owners and enable City use of approximately fifty-five percent of the building starting this year. The remaining forty-five percent of the building is occupied by two commercial tenants who have five (5) year leases through to the summer/fall of 2018. The proposed lease/purchase approach honors the leases of the two existing tenants and enables the City to gain use of the entirety of the building in 2018.

Highlights of Property Transaction with comments includes:

Lease Term and Rates: Rent at a fixed cost of \$38,809.60 per year plus annual common area maintenance charges estimated at \$42,638.20 for a total annual cost of \$81,447.80. The proposed rental rates for office and warehouse space are below market.

Property Purchase Price: \$2.9 million fixed for three years. The market value of industrial property is increasing and a fixed acquisition price provides the City with purchase price certainty.

Attached is a copy of the draft lease/purchase option.

REASON FOR THE SUBMISSION

The lease/purchase option requires Finance and Housing and Community Development Committees recommendation for approval and final approval by the City Council.

INTENDED RESULT

City Council approval of the lease/purchase option.

COUNCIL GOAL ADDRESSED

Relocation of a portion of Public Services Department operations out of Bayside.

FINANCIAL IMPACT

Last fall, the City Council authorized issuance of \$3.05 million in general obligation debt to support property acquisition to move ahead with the City department consolidation plan. This was combined with a previous appropriation of \$100,000 for preliminary costs associated with the relocation of City operations out of Bayside.

The original intent was to purchase the property and it was not expected that we would need to pay for leased space. However, this property was not officially listed for sale, and as mentioned above, through negotiations for the property the lease/purchase approach accommodated the owners' needs, while securing this key property for the City to help achieve an important long term goal.

Attached is a worksheet that shows the cash flow for this agreement. The estimated lease cost is \$230,000 for the term up to the purchase option date of March 1, 2017, and there are two options for funding that lease.

Lease payments cannot be made with capital bond funds, so we need to consider other types of funding. One option is to budget annually in the operating budget for the lease costs. Another option, and the one we are recommending, is to allocate pending land sale proceeds to cover the lease cost. You will recall that we have both the Bayside property sale and the Riverside Street property sale that are likely to close within a few months. Looking back to the original expectation of relocating City operations out of Bayside, it was planned that the sale of land in Bayside would help fund that relocation by paying the mortgage on the Riverside Street land purchase. While there has been some change in direction for the use of Riverside Street, using sale proceeds from either of these properties is in line with the original intent of the Council.

There would be a three month period of lease payments in this fiscal year, which we would absorb within the current year's budget.

STAFF ANALYSIS

City staff recommends the HCDC and Finance Committees recommend approval of the department lease/purchase option to the City Council.

RECOMMENDATION

This matter is scheduled to be presented to the HCDC on February 12th and the Finance Committee on February 13th. Following committee actions, this matter will be presented to the City Council for action. This will be in the form of two Orders, one for the approval of the Lease/Purchase agreement, and one for the appropriation of land sale proceeds for the purpose of funding lease payments.

Attachments:

- Cash Flow Worksheet – pp. 5 and 6
- Aerial of 212 Canco Road – p. 7
- Commercial Lease (Net Lease) With Option to Purchase – pp. 8 to 22

**Canco Road Property
Estimated Cash Flow
February, 2014**

	Assessed Value, 2013	Total AV	Asking Price	Price - AV	Current Taxes
212 Canco Road	\$393,100/\$2,660,670	\$ 3,053,770	\$ 2,900,000	\$ (153,770)	\$ 59,266

Fiscal Year

2014

2015

2016

2017

~Assumes occupancy date of new space on April 1, 2014, and all rental payments ending March 1, 2017~

Cash In:

a General Fund budget	\$ 90,000	\$ 99,000	\$ 95,000	\$ 73,500
b Proceeds from sale of property (Bayside/Riverside)		81,448	82,727	62,075
CIP (approved in 2013)	75,000			3,075,000
c Operating costs at 65 Hanover				27,195

Cash Out:

a Rental for Fire Elec/Hazmat WMD	(96,000)	(99,000)	(95,000)	(73,500)
Rental for Facilities/Traffic	(20,362)	(81,448)	(82,727)	(62,075)
Purchase of 212 Canco				(2,900,000)
d Relocation/Renovation	(75,000)			(175,000)
Net Total	\$ (26,362)	\$ 0	\$ 0	\$ 27,195

Notes

- a** Fire Department Radio/Alarm operations and HazMat/WMD operations currently rent at 212 Canco (moved from Presumpscot St.); They were relocated from 109 Middle Street (PD) when the Regional Crime Lab was constructed. They are renting an office trailer until we can occupy enough of the building to give them space inside.
- b** The overall goal is to begin relocation of DPS out of the Bayside area, which was originally intended to be financially supported by the sale of land in Bayside by paying off the mortgage to TPL on Riverside Street. This move allows the 65 Hanover Street property to be completely vacated. Note that the maintenance staff of the Facilities Division also currently resides in 65 Hanover. Since we cannot purchase the building at this time, proceeds from sale of land in Bayside or Riverside St could be used to fund rental payments until we can exercise our option to buy the property. Note that rental payments cannot be funded by bonds (i.e., CIP), so would otherwise need to be budgeted for in the general fund.
- c** We will eventually enjoy savings on the cost of owning and operating 65 Hanover Street, however until we actually dispose of that property we will need to pay for basic utilities and repairs. The estimated date of disposal is two to three years. (FY17 would likely be offset against FD rental in the budget, but displayed here for consistency within the worksheet)
- d** This property is in very good condition and requires minimal renovation to accommodate our operations. However, costs of moving and renovating were roughly estimated and may require additional funds at actual moving time.

212 Canco Road



COMMERCIAL LEASE (NET LEASE) WITH OPTION TO PURCHASE

1. **PARTIES**

212 Canco Realty LLC, a Maine limited liability company, with a mailing address of 212 Canco Road, Portland, ME 04103 ("LANDLORD"), hereby leases to the City of Portland, Maine, a Maine municipality with a mailing address of 389 Congress St., Portland, Maine Attn: Corporation Counsel ("TENANT"), and TENANT hereby leases from LANDLORD the following described premises.
2. **LEASED PREMISES**

The leased premises are deemed to contain 12,170 square feet of warehouse space, another 5,211square feet of warehouse/mixed use and shared loading dock space, and 2,000 square feet of second floor office space (a total of 19,381 square feet), all as shown on the attached Exhibit A. The leased premises are located at 212 Canco Road, Portland, Maine. Together with the right to use, in common with others entitled thereto, the hallways and stairways necessary for access to the leased premises. TENANT shall also have the right to use, in common with others, parking spaces at the rear of the building in areas designated by LANDLORD. The leased premises are accepted in "as is" condition except if specifically set forth to the contrary in this Lease. TENANT acknowledges that: a) LANDLORD has made no representations and TENANT is not relying on any representations about the leased premises, their suitability for any particular use and/or the physical condition thereof; and b) that TENANT has conducted its own due diligence inquiries with respect to the leased premises and is satisfied with the results thereof. The shared loading dock space shall be used by the TENANT in common with other persons and other tenants as designated by LANDLORD, fully in accordance and compliance with the reasonable rules and regulations issued by LANDLORD or its building manager from time to time and the TENANT covenants to comply with such rules and regulations.
3. **TERM**

The term of this Lease shall be until November 1, 2018, unless sooner terminated as herein provided, commencing on April 1, 2014 (the "Commencement Date") provided however, the Commencement Date for the 2,000 square feet of second floor office space shall be the later of July 1, 2014."). And however, if by November 1, 2018 TENANT has exercised the right to purchase pursuant to the Option which is part of this agreement, then the term of this Lease shall be continued until the leased premises have been conveyed to the TENANT pursuant to said Option.
4. **RENT**

TENANT shall pay to LANDLORD base rent at the rate of Five Dollars Fifty Cents (\$5.50) NNN per square foot for the 2,000 square feet of second floor office space and One Dollar Sixty Cents (\$1.60) NNN per square foot for the remaining 17,381 square feet of warehouse space and warehouse/mixed use and shared loading dock space as shown on the attached Exhibit A in the annual amount of Thirty-Eight Thousand Eight Hundred and Nine Dollars and Sixty Cents (\$38,809.60) payable in advance in equal monthly installments in the amount of Three Thousand Two Hundred Thirty-Four Dollars and Thirteen Cents (\$3,234.13) on the first day of each month during the term without deduction or setoff, said rent to be prorated for portions of a calendar month at the beginning or end of said term, all payments to be made to LANDLORD or to such agent and at such place as LANDLORD shall from time to time in writing designate; provided, however, that TENANT shall pay the first month's rent and the last month's rent contemporaneously with the execution of this Lease. If TENANT does not pay base rent, supplemental and additional rents, or other fees and charges when due pursuant to the term of this Lease, then LANDLORD, in its sole discretion, may charge, in addition to any other remedies it may have, a late charge for each month or part thereof that TENANT fails to pay the amount due after the due date. The late charge shall be equal to four percent (4%) of the amount due LANDLORD each month in addition to the rent then due. Notwithstanding the above, until the 2,000 square feet of second floor office space becomes a portion of the leased premises, the annual base rent shall be Twenty-Seven Thousand Eight Hundred and Nine Dollars and Sixty Cents (\$27,809.60) and the monthly base rent shall be Two Thousand Three Hundred Seventeen Dollars and Forty-Seven Cents (\$2,317.47) payable without deduction or off set as set forth above.
5. **RENT ADJUSTMENT**

Commencing on the Commencement Date, TENANT will pay to LANDLORD as additional rent hereunder, in accordance with subparagraph B of this Article, an amount deemed to be 25.9% of all real estate taxes on the land and buildings of which the leased premises are a part in each year of the term of this Lease or any extension or renewal thereof and proportionately for any part of a fiscal year in which this Lease commences or ends. Notwithstanding the above, if and when the 2,000 square feet of second floor office space becomes a portion of the leased premises, the additional rent percentage shall be deemed to be 28.9% for the remaining term of this Lease. For purposes of this calculation, the building is deemed to contain 67,000 square feet. If LANDLORD obtains an abatement of any such excess real estate tax, a proportionate share of such abatement, less the reasonable fees and costs incurred in obtaining the same, if any, shall be refunded to TENANT.
- A. **TAXES**

B. OPERATING COSTS

Commencing on the Commencement Date, TENANT shall pay to LANDLORD as additional rent hereunder in accordance with subparagraph B of this Article, an amount deemed to be 25.9% of all operating expenses. Notwithstanding the above, if and when the 2,000 square feet of second floor office space becomes a portion of the leased premises, the additional rent percentage shall be deemed to be 28.9% for the remaining term of this Lease. For purposes of this calculation, the building is deemed to contain 67,000 square feet. Operating expenses are defined for the purposes of this agreement as operating expenses per annum of the building and its appurtenances and all exterior areas, yards, plazas, sidewalks, landscaping, parking areas, and the like then (i.e. as of said last day of the calendar year concerned) located outside of the building but related thereto and the parcels of land on which they are located (said building appurtenances, exterior areas, and land hereinafter referred to in total as the "building"). Operating expenses include, but are not limited to: (i) all costs of furnishing electricity, heat, air-conditioning, water and sewer and other utility services and facilities to the leased premises and the building; (ii) all costs of any insurance carried by LANDLORD related to the building; (iii) all costs for common area cleaning and janitorial services; (iv) all costs of maintaining the building including the operation and repair of heating and air conditioning equipment servicing the leased premises and the building and any other common building equipment, and all repairs, improvements and replacements required by law or necessary to keep the building in a well maintained condition; (v) all costs of snow and ice removal, landscaping and grounds care; (vi) all other costs of the management of the building, including, without limitation property management fees; and (vii) all other reasonable costs relating directly to the ownership, operation, maintenance and management of the building by LANDLORD. TENANT's share of operating expenses shall be prorated should this Lease be in effect with respect to only a portion of any calendar year.

LANDLORD estimates that taxes and operating costs during the first year of the term of this Lease shall be approximately Two Dollars and Twenty Cents(\$2.20) per square foot. During each year of the term of this Lease, TENANT shall make monthly estimated payments to LANDLORD, as additional rent for TENANT'S share of real estate taxes and operating expenses for the then current year. Said estimated monthly payments shall be made along with base rent payments and shall be equal to one twelfth (1/12) of TENANT'S annualized share of LANDLORD'S real estate taxes and operating expenses for the current year. Within one hundred and twenty (120) days after the end of each calendar year, LANDLORD shall deliver to TENANT a statement showing the amount of such real estate taxes and operating expenses also showing TENANT'S share of the same. In the event that TENANT does not object to such statement in writing within ninety (90) days of receipt of same, such statement shall be deemed accurate. Upon written request by TENANT to LANDLORD made within said ninety (90) day period, LANDLORD shall provide to TENANT reasonable supporting documentation for any item of expense on such statement objected to by TENANT. TENANT shall, within thirty (30) days after such delivery, pay TENANT'S share to LANDLORD, as additional rent, less any estimated payments. If the estimated payments exceed TENANT'S share, then the excess shall be applied to the next year's monthly payments for estimated increases.

6. UTILITIES

LANDLORD agrees to furnish all utilities as described in section 5.B above. LANDLORD agrees to furnish water for ordinary drinking, cleaning, lavatory and toilet facilities and reasonable heat and air conditioning, if installed as part of the structure of the building so as to maintain the leased premises and common areas of the building at comfortable levels during normal business hours on regular business days of the heating and air condition seasons of each year, to furnish elevator service, if installed as a part of the structure of the building, and to light passageways and stairways during business hours, and to furnish such common area cleaning service as is customary in similar building in said city or town, all subject to interruption due to any accident, to the making of repairs, alterations or improvements, to labor difficulties, to trouble in obtaining fuel, electricity, service, or supplies from the sources from which they are usually obtained for said building, or to any cause beyond LANDLORD'S control.

LANDLORD shall have no obligation to provide utilities or equipment other than the utilities and equipment within the leased premises as of the commencement date of this Lease. In the event TENANT requires additional utilities or equipment, the installation and maintenance thereof shall be TENANT'S sole obligation, provided that such installation shall be subject to the written consent of LANDLORD.

7. USE OF LEASED PREMISES

TENANT may use the leased premises for any purpose or use permitted by law and local ordinance. If such use increases the cost of LANDLORD'S insurance on the building, TENANT shall pay, as additional rent hereunder, any such increase. Neither LANDLORD nor LANDLORD'S BROKER have made any representations to TENANT regarding the uses of the leased premises allowed under applicable law, nor TENANT acknowledges and agrees that TENANT assumes all responsibility and risk for investigating the same.

8. COMPLIANCE WITH LAWS

TENANT agrees to conform to the following provisions during the entire term of this Lease: (i) TENANT shall not injure or deface the leased premises or building; (ii) No auction sale, inflammable fluids, chemicals, nuisance, objectionable noise or odor shall be permitted on the leased premises; (iii) TENANT shall not permit the use of the leased premises for any purpose other than set forth herein or any use thereof which is improper, offensive, contrary to law or ordinance, or liable to invalidate or increase the premiums for any insurance on the building or its contents or liable to render necessary any alterations or additions to the building; and (iv) TENANT shall not obstruct in any manner any portion of the building not hereby demised or the sidewalks or approaches to said building or any inside or outside windows or doors. TENANT shall observe and comply with all codes, ordinances, laws, regulations and other governmental or quasi-governmental orders or inspections affecting TENANT, the leased premises and/or TENANT's use and all reasonable rules and security regulations now or hereafter made by LANDLORD for the care and use of the leased premises, the building, its facilities and approaches. TENANT agrees to keep the leased premises equipped with all safety appliances and make all accessibility alterations, improvements or installations to the building, and/or accommodations in TENANT'S use thereof required by law or any public authority as a result of TENANT'S use or occupancy of the premises or TENANT'S alterations or additions thereto, which alterations, improvements and installations shall be subject to LANDLORD'S consent as provided in this Lease.
9. MAINTENANCE
 - A. TENANT'S OBLIGATIONS

TENANT acknowledges by entry thereupon that the leased premises are in good and satisfactory order, repair and condition, and covenants during said term and further time as TENANT holds any part of said premises to keep the leased premises (including without limitation windows, doors and all systems serving exclusively the leased premises) in as good order, repair and condition as the same are in at the commencement of said term, or may be put in thereafter, damage by fire or unavoidable casualty and reasonable use and wear only excepted. Notwithstanding anything to the contrary herein, if TENANT has leased ground floor space, TENANT covenants to keep all plate glass windows in good repair and condition and to carry adequate insurance to provide for the replacement of any such plate glass which is damaged or destroyed.
 - B. LANDLORD'S OBLIGATIONS

LANDLORD agrees to maintain and repair the roof, exterior walls and structure of the building of which the leased premises are a part, building systems not exclusively serving the leased premises and the common areas, in the same condition as they are at the commencement of the term or as it may be put in during the term of this Lease, reasonable wear and tear, damage by fire and other casualty only excepted, unless such maintenance or repair is made necessary by fault or neglect of TENANT or the employees, contractors, agents or invitees of TENANT, in which case such maintenance or repair shall be at the expense of TENANT and TENANT shall pay all costs therefor.
10. ALTERATIONS-ADDITIONS

TENANT shall not make any alterations or additions, or permit the making of any holes in any part of said building (except for nail holes for hanging art), or paint or place any signs, drapes, curtains, shades, awnings, aerials or flagpoles or the like, or permit anyone except TENANT to use any part of the leased premises for desk space or for mailing privileges without on each occasion obtaining prior written consent of LANDLORD. TENANT may install signs of the following dimensions in the following locations, which signs shall be installed at TENANT'S sole expense, in compliance with all applicable laws and ordinances, and subject to LANDLORD's prior approval, which shall not be unreasonably withheld. TENANT shall not suffer or permit any lien of any nature or description to be placed against the building, the leased premises or any portion thereof, and in the case of any such lien attaching to immediately pay and remove the same; this provision shall not be interpreted as meaning that TENANT has any authority or power to permit any lien of any nature or description to attach or to be placed upon LANDLORD'S title or interest in the building, the leased premises, or any portion thereof.
11. ASSIGNMENT-SUBLEASING

TENANT shall not by operation of law or otherwise, assign, mortgage or encumber this Lease, or sublet or permit the leased premises or any part thereof to be used by others, without LANDLORD'S prior express written consent in each instance (cross out if not applicable). In any case where LANDLORD shall consent to such assignment or subletting, TENANT named herein and any guarantor of this Lease shall remain fully liable for the obligations of TENANT hereunder, including, without limitation, the obligation to pay the rent and other amounts provided under this Lease. For purposes of this Lease, the sale of controlling interest in the stock of a corporate TENANT, sale of the controlling membership interest in an LLC or similar entity, or the change of a general partner of a partnership TENANT shall constitute an assignment of this Lease.
12. SUBORDINATION AND QUIET ENJOYMENT

This Lease automatically shall be subject and subordinate to any and all mortgages, deeds of trust and other instruments in the nature of a mortgage, that is now or at any time hereafter a lien or liens on the property of which the leased premises are a part and TENANT shall, within ten (10) days after they are requested, promptly execute and deliver such written instruments as shall be necessary to show the subordination of this Lease to said mortgages, deeds of trust or other such instruments in the nature of a mortgage. Provided TENANT performs all of its obligations under this Lease, TENANT shall be entitled to the quiet enjoyment of the leased premises; provided TENANT covenants that it holds the leased premises subject to all easements, covenants and other matters of record, and agrees to abide by same to the extent the same affect the leased premises. TENANT agrees to sign within ten (10) days after they are requested, such estoppel certificates as are requested by LANDLORD or LANDLORD's lender.
13. LANDLORD'S ACCESS

LANDLORD or agents of LANDLORD may, at all reasonable times during the term of this Lease, enter the leased premises to examine the leased premises and, if LANDLORD shall so elect, to make any repairs or additions LANDLORD may deem necessary and, at TENANT'S expense, to remove any alterations, additions, signs, drapes, curtains, shades, awnings, aerials or flagpoles, or the like, not consented to in writing.

14. INDEMNIFICATION AND LIABILITY

Subject to and limited by the defenses and immunities afforded by the Maine Tort Claims Act and other applicable law, TENANT will defend and, except to the extent caused solely by the negligence or willful conduct of LANDLORD, will indemnify LANDLORD and its employees, agents and management company, and save them harmless from any and all injury, loss, claim, damage, liability and expense (including reasonable attorney's fees) in connection with the loss of life, personal injury or damage to property or business, arising from, related to, or in connection with the occupancy or use by TENANT of the leased premises or any part of LANDLORD'S property or the building, or occasioned wholly or in part by any act or omission of TENANT, its contractors, subcontractors, subtenants, licensees or concessionaires, or its or their respective agents, servants or employees while on or about the leased premises. TENANT shall also pay LANDLORD'S expenses, including reasonable attorney's fees, incurred by LANDLORD in successfully enforcing any obligation, covenant or agreement of this Lease or resulting from TENANT's breach of any provisions of this Lease (including without limitation any attorneys' fees incurred to monitor or intervene in any bankruptcy proceeding involving TENANT), or any document, settlement or other agreements related to this Lease. The provisions of this Article shall survive the termination or earlier expiration of the term of this Lease. Without limitation of any other provision herein, neither LANDLORD, its employees, agents nor management company shall be liable for, and TENANT hereby releases them from all claims for, any injuries to any person or damages to property or business sustained by TENANT or any person claiming through TENANT due to the building or any part thereof (including the premises), or any appurtenances thereof, being in need of repair or due to the happening of any accident in or about the building or the leased premises or due to any act or negligence of TENANT or of any employee or visitor of TENANT. Without limitation, this provision shall apply to injuries and damage caused by nature, rain, snow, ice, wind, frost, water, steam, gas or odors in any form or by the bursting or leaking of windows, doors, walls, ceilings, floors, pipes, gutters, or other fixtures; and to damage caused to fixtures, furniture, equipment and the like situated at the leased premises, whether owned by TENANT or others. Notwithstanding the foregoing, all obligations of indemnification herein by TENANT to the Landlord are subject to, and limited by, the limitation of liability, defenses and immunities available to the TENANT under the Maine Tort Claims Act (14 M.R.S.A. § 8101 et seq.) (as it may be amended from time to time) or under any other applicable law. Landlord shall give the TENANT prompt notice of any matter as to which it may seek indemnity hereunder, and shall not settle any such matter without the City's consent.

15. TENANT'S LIABILITY INSURANCE

LANDLORD acknowledges having been informed by TENANT that TENANT self-insures for the risks generally that would be covered by commercial general liability insurance, in connection with the Maine Municipal Associations 'Risk Management Pool.'

16. FIRE CASUALTY- EMINENT DOMAIN

Should a substantial portion of the leased premises, or of the property of which they are a part, be damaged by fire or other casualty, or be taken by eminent domain, LANDLORD may elect to terminate this Lease. When such fire, casualty, or taking renders the leased premises unfit for use and occupation and LANDLORD does not so elect to terminate this Lease, a just and proportionate abatement of rent shall be made until the leased premises, or in the case of a partial taking what may remain thereof, shall have been put in proper condition for use and occupation. LANDLORD reserves and excepts all rights to damages to the leased premises and building and the leasehold hereby created, accrued or subsequently accruing by reason of anything lawfully done in pursuance of any public, or other, authority; and by way of confirmation, TENANT grants to LANDLORD all TENANT'S rights to such damages and covenants to execute and deliver such further instruments of assignment thereof as LANDLORD may from time to time request. LANDLORD shall give TENANT notice of its decision to terminate this Lease or restore the premises within ninety (90) days after any occurrence giving rise to LANDLORD'S right to so terminate or restore. Notwithstanding anything to the contrary contained herein, LANDLORD'S obligation to put the leased premises or the building in proper condition for use and occupation shall be limited to the amount of the proceeds from any insurance policy or policies or of damages which accrue by reason of any taking by a public or other authority, which are available to LANDLORD for such use.

17. DEFAULT AND BANKRUPTCY

In the event that:

- (a) TENANT shall default in the payment of any installment of rent or other sum herein specified when due which default is not corrected within seven (7) days after written notice thereof; or
- (b) TENANT shall default in the observance or performance of any other of the TENANT'S covenants, agreements, or obligations hereunder and such default shall not be corrected within ten (10) days after written notice thereof; or
- (c) The leasehold hereby created shall be taken on execution, or by other process of law; or
- (d) Any assignment shall be made of TENANT'S property for the benefit of creditors, or a receiver, guardian, conservator trustee in bankruptcy or similar officer shall be appointed by a court of competent jurisdiction to take charge of all or any part of TENANT'S property, or a petition is filed by TENANT under any bankruptcy, insolvency or other debtor relief law,

then and in any of said cases (notwithstanding any license of any former breach of covenant or waiver of the benefit hereof or consent in a former instance), LANDLORD shall be entitled to all remedies available to LANDLORD at law and equity including without limitation, the remedy of forcible entry and detainer, and LANDLORD lawfully may, immediately or at any time thereafter, and without demand or notice, mail a notice of termination to TENANT, or, if permitted by law, enter into and upon the leased premises or any part thereof in the name of the whole and repossess the same as of its former estate, and expel TENANT and those claiming through or under it and remove it or their effects without being deemed 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, and upon such mailing or entry as aforesaid, this Lease shall terminate; and TENANT covenants and agrees, notwithstanding any entry or re-entry by LANDLORD, whether by summary proceedings, termination, or otherwise, that TENANT shall, as of the date of such termination, immediately be liable for and pay to LANDLORD the entire unpaid rental and all other balances due under this Lease for the remainder of the term. In addition, TENANT agrees to pay to LANDLORD, as damages for any above described breach, all costs of reletting the leased premises including real estate commissions and costs of renovating the premises to suit any new tenant, and TENANT agrees to reimburse LANDLORD for all attorneys' and paralegals' fees incurred by LANDLORD in connection with a TENANT default, including without limitation such fees incurred in connection with a bankruptcy proceeding.

18. NOTICE

Any notice from LANDLORD to TENANT relating to the leased premises or to the occupancy thereof, shall be deemed duly served, upon mailing to: City of Portland Corporation Counsel, 389 Congress St., Portland, ME 04101-3509, certified mail, return receipt requested, postage prepaid,. Such notice shall be deemed served on the date postmarked, and any time period in this Lease running from the date of notice shall commence on the date of postmark. Any notice from TENANT to LANDLORD relating to the leased premises or to the occupancy thereof, shall be deemed duly served, if mailed to LANDLORD by registered or certified mail, return receipt requested, postage prepaid, addressed to LANDLORD at LANDLORD'S address set forth in Article 1, or at such other address as LANDLORD may from time to time advise in writing.

19. SURRENDER

IF TENANT has not exercised its option to purchase and closed on such purchase (as set forth in Paragraph 29 Addendum), or if this Lease terminates for any other reason prior to Tenant exercising its option to purchase, TENANT, shall at the expiration or other termination of this Lease, peaceably yield up the leased premises and all additions, alterations, fixtures (including those installed by TENANT), and improvements thereto in good order, repair and condition, damage by fire, unavoidable casualty, and reasonable wear and tear only excepted, first moving all goods and effects not attached to the leased premises, repairing all damage caused by such removal, and leaving the leased premises clean and tenantable. If LANDLORD in writing permits TENANT to leave any such goods and chattels at the leased premises, and TENANT does so, TENANT shall have no further claims and rights in such goods and chattels as against LANDLORD or those claiming by, through or under LANDLORD, and TENANT shall be deemed to have conveyed such items to LANDLORD unless LANDLORD elects to reject acceptance of the same.

20. HAZARDOUS MATERIALS

TENANT covenants and agrees that, with respect to any hazardous, toxic or special wastes, materials or substances including asbestos, waste oil and petroleum products (the "Hazardous Materials") which TENANT, its agents or employees, may use, handle, store or generate in the conduct of its business at the leased premises TENANT will: (i) comply with all applicable laws, ordinances and regulations which relate to the treatment, storage, transportation and handling of the Hazardous Materials (ii) that TENANT will in no event permit or cause any disposal of Hazardous Materials in, on or about the leased premises and in particular will not deposit any Hazardous Materials in, on or about the floor or in any drainage system or in the trash containers which are customarily used for the disposal of solid waste; (iii) that TENANT will with advance notice and at all reasonable times permit LANDLORD or its agents or employees to enter the leased premises to inspect the same for compliance with the terms of this paragraph and will further provide upon five (5) days notice from LANDLORD copies of all records which TENANT may be obligated by federal, state and/or local law to obtain and keep; (iv) that upon termination of this Lease, TENANT will at its expense, remove all Hazardous Materials, which came to exist on, in, or under the leased premises during the term of this Lease or any extensions thereof, from the leased premises and comply with applicable local, state and federal laws as the same may be amended from time to time; and (v) TENANT further agrees to deliver the leased premises to LANDLORD at the termination of this Lease free of all Hazardous Materials which came to exist on, in, or under the leased premises during the term of this Lease or any extensions thereof. The terms used in this paragraph shall include, without limitation, all substances, materials, etc., designated by such terms under any laws, ordinances or regulations, whether federal state or local.

21. **LIMITATION OF LIABILITY** TENANT agrees to look solely to LANDLORD'S interest in the building for recovery of any judgment from LANDLORD or any of LANDLORD's partners, managers, or owners, it being agreed that LANDLORD and any other such party is not personally liable for any such judgment. The provision contained in the foregoing sentence shall not limit any right that TENANT might otherwise have to obtain an injunctive relief against LANDLORD or LANDLORD'S successors in interest, or any other action not involving the personal liability of LANDLORD and any other such party. Under no circumstances shall LANDLORD ever be liable for lost profits, indirect or consequential damages.
22. **LANDLORD DEFAULT** LANDLORD shall in no event be in default in the performance of any of its obligations hereunder unless and until LANDLORD shall have failed to perform such obligations within thirty (30) days or such additional time as is reasonably required to correct any such default after notice by TENANT to LANDLORD properly specifying wherein LANDLORD has failed to perform any such obligation. Further, if the holder of the mortgage on the building of which the leased premises are a part notifies TENANT that such holder has taken over LANDLORD'S rights under this Lease, TENANT shall not assert any right to deduct the cost of repairs or any monetary claim against lender or holder from rent thereafter due and accruing, but shall look solely to LANDLORD for satisfaction of such claim.
23. **WAIVER OF RIGHTS** No consent or waiver, express or implied, by either party to or of any breach of any covenant, condition or duty of the other, shall be construed as a consent or waiver to or of any other breach of the same or other covenant, condition or duty.
24. **SUCCESSORS AND ASSIGNS** The covenants and agreements of LANDLORD and TENANT shall run with the land and be binding upon and inure to the benefit of them and their respective heirs, executors, administrators, successors and assigns, but no covenant or agreement of LANDLORD, express or implied, shall be binding upon any person except for defaults occurring during such person's period of ownership nor binding individually upon any fiduciary, any shareholder or any beneficiary under any trust.
25. **HOLDOVER** If TENANT fails to vacate the leased premises at the termination of this Lease and has not exercised its option to purchase the 212 Canco Road premises, then the terms of this Lease shall be applicable during said holdover period, except for base rent, which shall be increased to two (2) times the then-current base rent for the period just preceding such termination; but this provision shall not be interpreted as consent or permission by LANDLORD for TENANT to holdover at the termination of this Lease and the terms of this holdover provision shall not preclude LANDLORD from recovering any other damages which it incurs as a result of TENANT'S failure to vacate the leased premises at the termination of this Lease.
26. **JURY TRIAL WAIVER** NOTWITHSTANDING ANYTHING IN THIS LEASE TO THE CONTRARY, TENANT AND LANDLORD, FOR THEMSELVES AND THEIR SUCCESSORS AND ASSIGNS, HEREBY KNOWINGLY, WILLINGLY, AND VOLUNTARILY WAIVE ANY AND ALL RIGHTS TENANT AND/OR LANDLORD MAY HAVE TO A TRIAL BY JURY IN ANY FORCIBLE ENTRY AND DETAINER ("FED") ACTION OR PROCEEDING BROUGHT BY LANDLORD OR LANDLORD'S SUCCESSORS AND/OR ASSIGNS BASED UPON OR RELATED TO THE PROVISIONS OF THIS LEASE. LANDLORD AND TENANT HEREBY AGREE THAT ANY SUCH FED ACTION OR PROCEEDING SHALL BE HEARD BEFORE A SINGLE JUDGE OF THE APPROPRIATE DISTRICT COURT OR A SINGLE JUDGE OF THE APPROPRIATE SUPERIOR COURT, OR A FEDERAL DISTRICT COURT JUDGE SITTING IN THE DISTRICT OF MAINE.
27. **MISCELLANEOUS** If TENANT is more than one person or party, TENANT'S obligations shall be joint and several. Unless repugnant to the context, "LANDLORD" and "TENANT" mean the person or persons, natural or corporate, named above as LANDLORD and TENANT respectively, and their respective heirs, executors, administrators, successors and assigns. LANDLORD and TENANT agree that this Lease shall not be recordable but each party hereto agrees, on request of the other, to execute a Memorandum of Lease in recordable form and mutually satisfactory to the parties. If any provision of this Lease or its application to any person or circumstances shall to any extent be invalid or unenforceable, the remainder of this Lease and the application of such provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby and each provision of this Lease shall be valid and enforceable to the fullest extent permitted by law. The submission of this Lease or a summary of some or all of its provisions for examination by TENANT does not constitute a reservation of or option for the premises or an offer to lease said premises, and this document shall become effective and binding only upon the execution and delivery hereof by both LANDLORD and TENANT. Employees or agents of LANDLORD have no authority to make or agree to make a lease or any other agreement or undertaking in connection herewith. All negotiations, considerations, representations and understandings between LANDLORD and TENANT are incorporated herein and no prior agreements or understandings, written or oral, shall be effective for any purpose. No provision of this Lease may be modified or altered except by agreement in writing between LANDLORD and TENANT, and no act or omission of any employee or agent of LANDLORD shall alter, change, or modify any of the provisions hereof. Time is of the essence of this agreement. This Lease shall be governed exclusively by the provisions hereof and by the laws of the State of Maine. The headings herein contained are for convenience only, and shall not be considered a part of this Lease.
28. **BROKERAGE** TENANT warrants and represents to LANDLORD that it has not dealt with any broker, finder or similar person concerning the leasing of the leased premises, and agrees to defend and indemnify LANDLORD against any claim from a broker or finder claiming by or through TENANT. LANDLORD warrants and represents to TENANT that it has not dealt with any broker, finder or similar person concerning the leasing of the leased premises other than The Boulos Company ("LANDLORD'S BROKER"). LANDLORD agrees to pay LANDLORD'S BROKER any commission due upon execution of this Lease, and in the event of any brokerage claims against TENANT by LANDLORD'S BROKER, LANDLORD agrees to defend the same and indemnify TENANT against any such claim.

29. OPTION TO PURCHASE LANDLORD hereby grants TENANT as part of this lease agreement, the right and option to purchase all of the LANDLORD's real property at 212 Canco Road, on the terms and conditions set out in this paragraph 29 as further set forth in the attached continuation of paragraph 29 in Exhibit B, OPTION TO PURCHASE; and the terms and conditions therein are hereby incorporated herein.

DISCLAIMER: THIS IS A LEGAL DOCUMENT. IF NOT FULLY UNDERSTOOD, CONSULT AN ATTORNEY.

IN WITNESS WHEREOF, the said parties hereunto set their hands and seals this ____ day of _____, 2014.

TENANT:

City of Portland, Maine
Legal Name of Tenant

Signature

Mark H. Rees, City Manager
NAME/TITLE

Witness to Tenant

LANDLORD:

212 Canco Realty LLC
Legal Name of Landlord

Signature

NAME/TITLE

Witness to Landlord

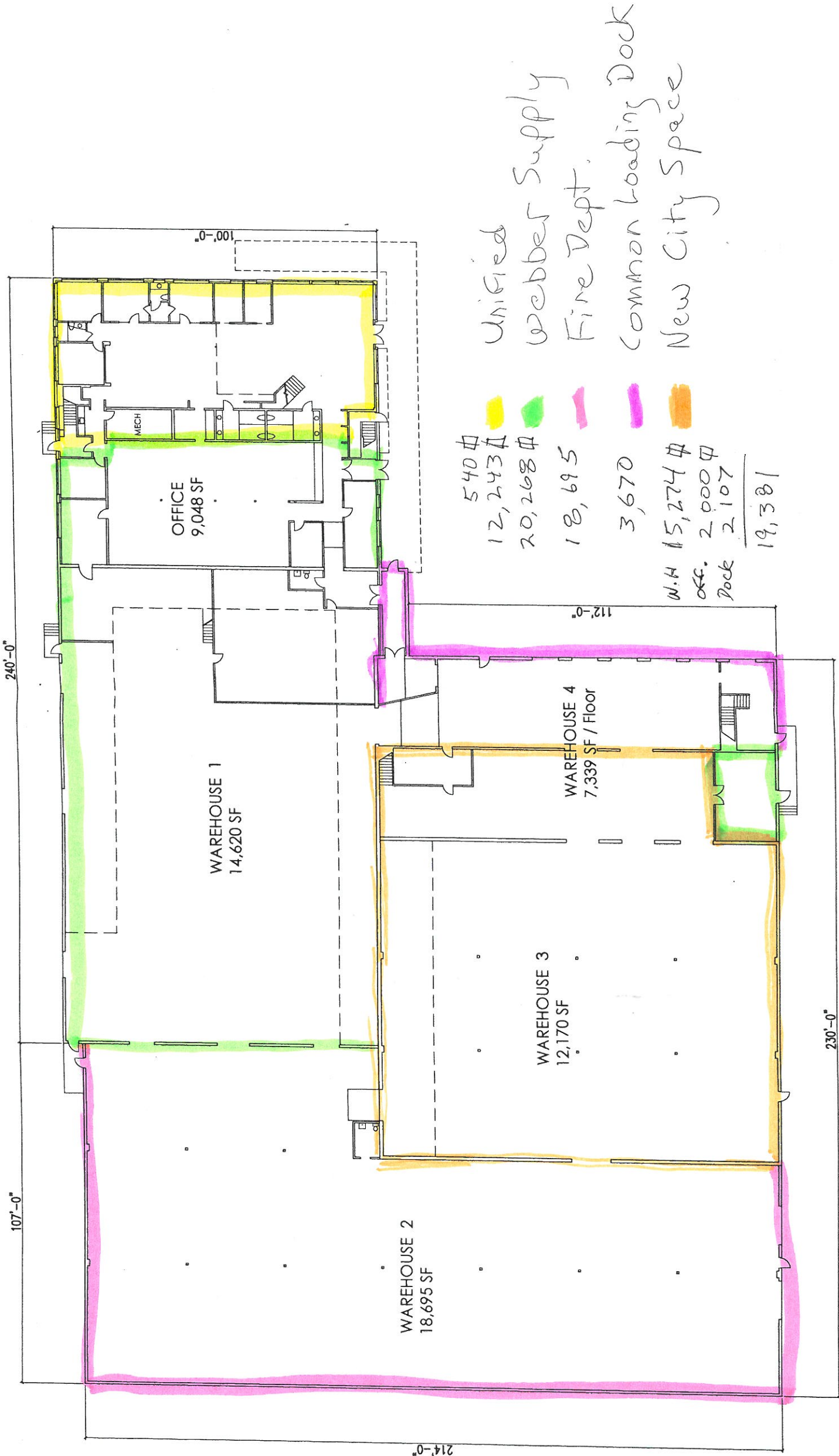
Approved as to form:

Approved as to funds:

Corporation Counsel's Office

Finance Department

O:\OFFICE\LARRY\misc real docs\212 Canco\212 Canco City of Portland Lease new space.DOC



PROJECT
Existing Conditions
Nelson and Small
212 Carco Road
Portland, Maine

04.14.13

CLIENT
Nelson and Small
212 Carco Road
Portland, ME

CONTRACTOR

STRUCTURAL ENGINEER

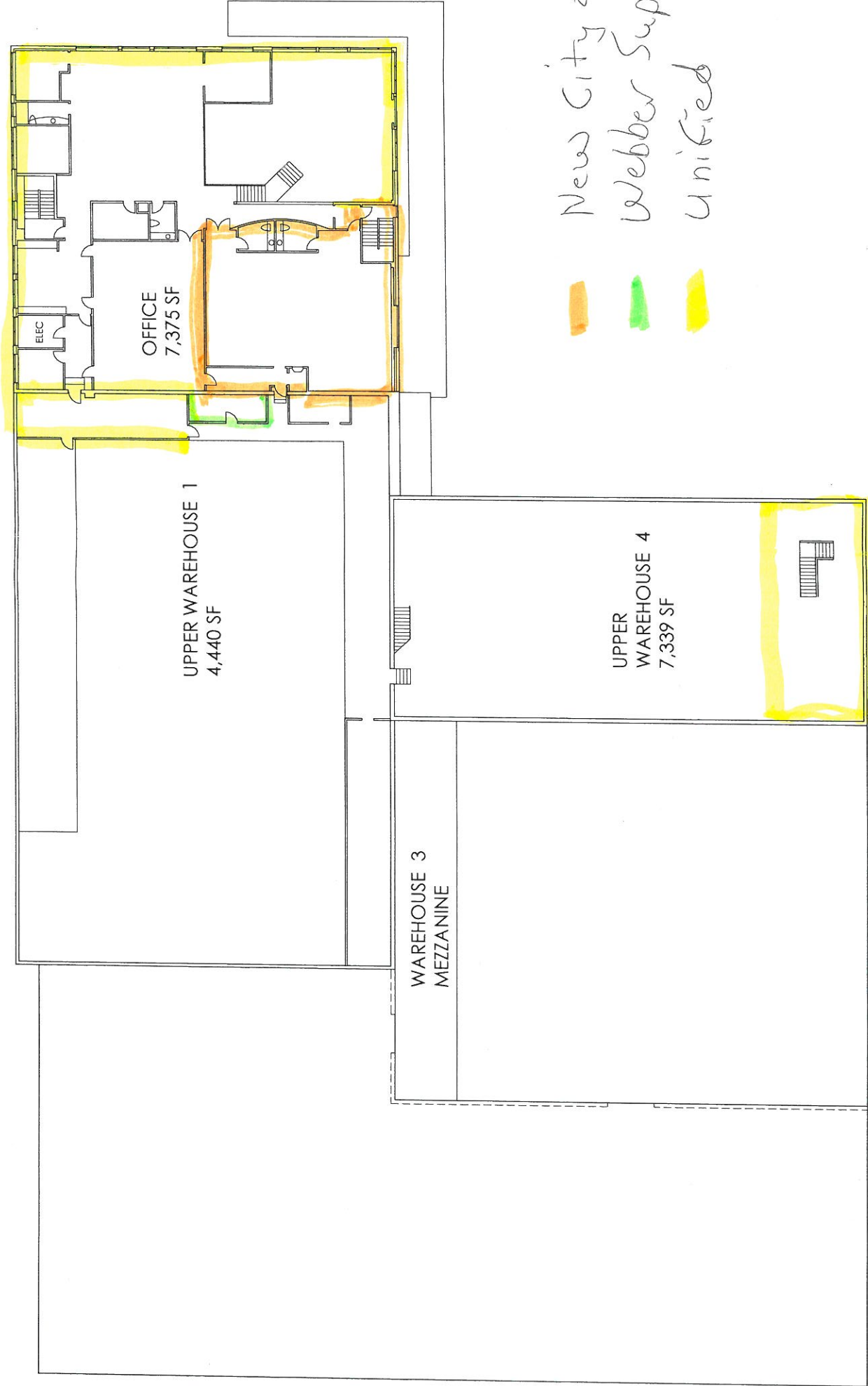
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Issue Date:	04.14.13
Drawn By:	DG
Checked By:	DG
Revision:	
1.	
2.	
3.	
4.	

TITLE
Second Floor Plan

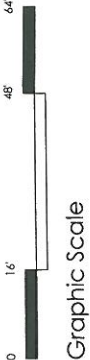
SCALE: 1/16"=1'-0"

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A102



1 SECOND FLOOR PLAN
1/16"=1'-0"



**EXHIBIT B, contains Paragraph 29 of the
COMMERCIAL LEASE (NET LEASE)
WITH OPTION TO PURCHASE**

29. OPTION TO PURCHASE REAL ESTATE

The LANDLORD hereby grants to the TENANT, its successors and assigns, the exclusive option and right to purchase the premises owned by LANDLORD and located at 212 Canco Road, Portland, Cumberland County, Maine, Map 148, Block A, Lot 7 (the "Property"), more fully described in the deed recorded in the Cumberland County Registry of Deeds in Book 25041, Page 277, attached Exhibit A, subject to the following terms and conditions:

1. Purchase Price and Credit for Lease Payment. The purchase price for the premises shall be Two Million Nine Hundred Thousand Dollars (\$2,900,000). The TENANT represents and warrants that it has the funds required to complete the purchase contemplated by this Option and that a purchase has been approved by all necessary parties and departments within the TENANT.
2. Use. LANDLORD understands that TENANT intends to use this property for municipal needs, but this option is not intended to limit the TENANT's use of this property.
3. Term of Option. As long as the TENANT is not in default of its leasehold obligations set forth below in both of the TENANT leases with LANDLORD described below and as long as the TENANT is then leasing both leaseholds described below, the TENANT may exercise its option to purchase at any time after March 1, 2017; but, no later than October 31, 2018, time being of the essence.
4. Existing Leases. There are now existing four leases of portions of the Property, and the parties expect there to be a fifth, as well; with their term dates, they are:

<u>Tenant</u>	<u>Term start(s)</u>	<u>Term ends</u>	<u>Approx. Sq. Ft</u>
Webber Supply	7/1/2013	6/30/2018	20,268
Unified Technologies	11/1/2013	10/31/2018	12,243
Nelson & Small	----	6/30/2014	---
City of Portland	10/1/2013	9/30/2014	18,695
City of Portland	3/1/2014	10/31/2018	19,381

- a) As long as the TENANT is not in default of its lease hold obligations as set forth in both of the TENANT's leases with the

LANDLORD, LANDLORD will cause the Nelson & Small lease as it relates to the existing ground floor and second floor office space to terminate not later than June 30, 2014.

b) As long as the TENANT is not in default of its leasehold obligations as set forth in both of the TENANT's leases with LANDLORD described below and as long as the TENANT is then leasing both leaseholds described above, LANDLORD will renew both of the TENANT's leases, if requested by the TENANT, to extend the term until the date when LANDLORD conveys the Property to the TENANT. LANDLORD has provided the TENANT with copies of the Webber Supply lease and Unified Technologies lease, prior to the execution of second TENANT Lease of which this option to purchase is a part. At closing, the TENANT will assume the LANDLORD's interest in and obligations under said leases.

c) As long as the TENANT is not in default of its leasehold obligations set forth in both of the TENANT's leases with LANDLORD described below and as long as the TENANT is then leasing both leaseholds described below, LANDLORD agrees not to lease any portion of the Premises to any party (except to the TENANT) before October 31, 2018, unless TENANT does not exercise its right to lease such space when offered the right below to lease such empty space. Accordingly, LANDLORD will offer any space other than the spaces leased to the TENANT, as and if it becomes available, on the same terms and conditions as in the Lease to which this Option is attached except as to rent which shall be \$4.00per sq. ft. per year plus all CAMS, taxes and operating expenses, and TENANT shall exercise its right to lease said space within ten (10) days after such notice. If TENANT does not exercise its right to lease such space, LANDLORD shall have the right to lease such space to a third party. Also, LANDLORD will ensure that the entire building on the Property shall be in 'broom clean' condition upon the date when LANDLORD conveys the Property to the TENANT. That said, the sale will be "As Is" with all faults, and the LANDLORD makes no representations as to the condition of the Property.

d) Upon the execution of this Lease to TENANT, the TENANT and LANDLORD agree to amend the lease with the TENANT dated June 21, 2013 eliminating Tenant's right to terminate on 30 days' notice in Section 3. At the end of the current term of the June 21, 2013, lease (September 30, 2014) the TENANT shall have the right to extend the term of said lease such that the June 21, 2013 lease term ends on October 31, 2018.

5. Exercise of Option. This option to purchase may be exercised by the TENANT so long as it is a tenant in good standing under two different leases with LANDLORD, one dated June 21, 2013 and the other dated

January ____, 2014, and both leases are then in full force and effect by giving written notice to LANDLORD by FEDEX or Certified U.S. Mail, return receipt requested, addressed as follows: 212 Canco Realty LLC, Attn: General Manager, 212 Canco Road, Portland, ME 04103, or by delivery in hand to the General Manager of 212 Canco Realty LLC and with a duplicate copy to Leonard M. Nelson, c/o Bernstein Shur, 100 Middle Street, PO Box 9729, Portland, ME 04104-5029.

6. Settlement. Following the exercise of this option to purchase, the closing shall be held within three (3) months of the receipt by LANDLORD of the written Notice of Exercise (the "Closing Period"), time being of the essence at a location and time mutually agreed upon by the parties. Payment of the purchase price shall be by certified bank check or by wire transfer of funds.
7. Inspection and Survey. During the term of the option to purchase, the TENANT, its successors and assigns shall have the right to enter the Property at all reasonable times with prior notice to LANDLORD for the purpose of conducting such inspections, surveys, wetlands, environmental and soils investigation and studies as it deems necessary. The TENANT shall assume all responsibility for such entry, inspections or investigations and shall hold LANDLORD harmless from any claims related to such entry, inspections or investigations.
8. Deed. At the Closing, LANDLORD shall deliver to the TENANT a duly executed and acknowledged Quitclaim with Covenant.

LANDLORD shall pay its share of the real estate transfer tax, if any. The TENANT shall be responsible for the cost of recording the Deed.
9. "Put" in favor of Canco Realty. At any time between the date hereof and October 31, 2018, LANDLORD shall have the right to request the TENANT that it execute its \$2.9 Million option to purchase the Property. In the event the TENANT does not exercise its option right within 90 days of the request, the TENANT's option to purchase the Property shall automatically terminate and be of no further force and effect. Exercise by the TENANT of its lease and option to purchase shall be accomplished by notifying LANDLORD pursuant to Paragraph 5 above.
10. Notices. Any notice under this Option shall be delivered or sent by Fed Ex or certified mail, postage prepaid, return receipt requested, and addressed as follows:

If to Canco Realty, to:
212 Canco Realty LLC
Attn: General Manager
212 Canco Road
Portland, ME 04103

With copy to:
Leonard M. Nelson, Esq.
Bernstein Shur
100 Middle Street
P.O. Box 9729
Portland, ME 04104-5029

If to City, to: City Manager
City of Portland
389 Congress Street
Portland, ME 04101

11. Execution and Recording. This option to purchase set forth in this paragraph 29 of the lease is a portion of the lease between LANDLORD and TENANT and may not be recorded. Upon the request of TENANT a Memorandum of Lease and Option shall be executed in a form eligible for recordation, and may be recorded at TENANT's expense at the Cumberland County Registry of Deeds.
12. Release of Option. Concurrently with this lease being executed, the TENANT shall execute and deliver to LANDLORD a written release, quitclaim deed or other instrument specified by LANDLORD, evidencing the non-exercise or termination of its option rights. The instrument shall be signed and acknowledged in a form eligible for recordation. LANDLORD's attorney shall hold said executed instrument in escrow and shall be entitled to release and record said instrument if a) the option to purchase is not exercised within the Exercise Period; or b) such earlier time as is set forth in Paragraph 9 above; or, c) if either of the two City Leases with Canco Realty described above terminates prior to the City's exercise of this Option; or, d) if the TENANT exercises its option and does not close within the Closing Period.
13. Binding Effect. This option to purchase shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors and assigns.
14. Assignment. This option to purchase may not be assigned by the City. Any purported assignment shall be void and in such event the TENANT's rights in this option to purchase shall terminate and be of no further force and effect.
15. Severability. If any provision of this option to purchase is found to be invalid or unenforceable, such finding shall not affect the validity or enforceability of any other provision hereof.

16. Compensation for Option. The City's entering into this Commercial Lease and performing its obligations set forth therein is hereby deemed to be, and include, partial consideration for this option to purchase. Other consideration includes the City's representation and warranty that it has the funds required to complete the purchase contemplated by this option to purchase and that a purchase has been approved by all necessary parties and Departments at the City.
17. Governing Law. This option to purchase shall be governed by and construed in accordance with the laws of the State of Maine.

EXHIBIT A

[Deed at Book 25041, Page 277]