

SeaWatch Condominium Declaration
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84-074-005

SEAWATCH CONDOMINIUM DECLARATION

This Condominium Declaration is executed as of this 16th day of July, 1984 by Surfside Corporation, a Maine corporation, pursuant to the Maine Condominium Act, Chapter 31 of Title 33 of the Maine Revised Statutes of 1964, as amended, 33 M.R.S.A. §1601-101 et seq. (hereinafter the "Act").

ARTICLE I: CREATION OF CONDOMINIUM; DEFINED TERMS

A. Declaration of Property. Surfside Corporation, a Maine corporation, with an address c/o Filler and How, 70 Center Street, Portland, Maine, owner in fee simple of the land described in Exhibit A annexed hereto, located in the Town of Old Orchard Beach, York County, Maine (hereinafter the "Land"), hereby submits the Land, together with all buildings and improvements now or hereafter located thereon by Declarant and all easements, rights, privileges and appurtenances thereon or pertaining thereto (hereinafter the "Property") and subject to all covenants, restrictions, and easements described or referred to in Exhibit A, to the provisions of the Act, as amended from time to time, and hereby creates with respect to the Property a condominium, known as SeaWatch Condominium (hereinafter the "Condominium"). The Property is depicted on the plat and floor plans entitled SeaWatch Condominium prepared by John H. Leasure Architect, Inc. dated, July 16, 1984, which plat and plans, as amended from time to time, being herein referred to respectively as "Plats" and "Plans" and which Plats and Plans are recorded in the York County Registry of Deeds. The Property shall hereafter be held, sold and conveyed subject to the terms, conditions, covenants, easements and restrictions set forth in this SeaWatch Condominium Declaration, as amended from time to time (hereinafter the "Declaration") and in the Act, which shall run with the Property and bind and inure to the benefit of all owners of the Property or any portion thereof, their respective heirs, successors and assigns. Pursuant to the Act, the SeaWatch Condominium Association, a Maine non-profit corporation under Title 13-B of the Maine Revised Statute of 1964, as amended (hereinafter the "Association") shall be the Unit Owners' Association under the Act.

B. Defined Terms. Capitalized terms used in this Declaration shall have the meaning specified herein above or herein below or, if not otherwise defined in this Declaration, as it may be amended from time to time, or in the Plats and Plans, shall have the same meanings as specified in the Act:

(1) "Allocated Interests" mean (a) the Common Element Interest as defined in Article IV(C) hereof, (b) the Common Expense Liability as defined in Article VI(A) hereof, and (c) the votes in the Association, allocated to each Unit pursuant to this Declaration.

(2) "Building" means the building erected on the Land containing one or more Units whether in vertical or horizontal arrangement, as well as other improvements comprising a part or the Building or intended to be used for purposes incidental to the use of the Building.

(3) "By-laws" means such governing regulations for the Association as are adopted pursuant to the Act and this Declaration for the regulation and management of the Property, including such amendments

thereof as may be adopted from time to time.

(4) "Common Elements" mean all portions of the condominium other than the Units.

(5) "Common Element Interest" has the meaning provided in Article IV(D) of this Declaration.

(6) "Common Expenses" mean expenditures made by or financial liabilities of the Association together with any allocation to reserves.

(7) "Common Expense Liability" has the meaning provided in Article VI(A) of this Declaration.

(8) "Condominium Documents" mean this Declaration, the Plats, Plans and the By-Laws, as amended from time to time.

(9) "Declarant" means Surfside Corporation, its successors and assigns and all successors to any Special Declarant Rights hereunder.

(10) "Declarant Control Period" means the time period described in Article VII(B) of the Declaration.

(11) "Development Rights" has the meaning specified in Article V of this Declaration and Section 1601-103(11) of the Act.

(12) "Eligible Mortgage Holder" means the holder of record of a recorded first Mortgage on a Unit in the Condominium which has delivered written notice to the Association by prepaid United States mail, return receipt requested, or by delivery in hand securing a receipt therefor, stating the name and address of such holder, the name and address of the Owner of the Unit encumbered by such Mortgage, the identifying number of such Unit, and containing a statement that such Mortgage is a recorded first mortgage.

(13) "Executive Board" means the Executive Board or Board of Directors of the Association authorized to act pursuant to this Declaration and the Act on behalf of the Association.

(14) "Limited Common Elements" mean those portions of the Common Elements the exclusive use of which is reserved as an appurtenance to one or more, but fewer than all, of the Units as indicated and allocated pursuant to this Declaration.

(15) "Limited Common Expenses" mean the Common Expenses for services benefiting fewer than all the Units, which are assessed pursuant to this Declaration exclusively against the Units benefited in accordance with Section 1603-115(c)(2) of the Act.

(16) "Mortgage" means a recorded mortgage or deed of trust encumbering a Unit in the Condominium held by a Mortgagee and "Mortgagee" means the holder of a recorded Mortgage or deed of trust encumbering a Unit in the Condominium.

(17) "Recorded" means that an instrument has been duly entered of record in the Registry of Deeds in and for York County, Maine.

(18) "Special Declarant Rights" has the meaning provided in Article V of this Declaration and Section 1601-103(25) of the Act.

(19) "Unit" means a part of the Property designated for separate ownership or occupancy for residential purposes, the boundaries of which are described in Article III hereof.

ARTICLE II. IDENTIFICATION AND LOCATION
OF CONDOMINIUM ASSOCIATION

The name of the Condominium is the SeaWatch Condominium. The name of the Association organized under the Act is SeaWatch Condominium Association. The Condominium is located in the Town of Old Orchard Beach, County of York, and State of Maine (which location is more particularly described in Exhibit A hereto) and the address of the Condominium is Cleaves Street, Old Orchard Beach, Maine.

ARTICLE: III: DESCRIPTION OF PROPERTY AND UNITS

A. Description of the Property. A legally sufficient description of the Property included in the Condominium is set forth in Exhibit A attached hereto and made a part hereof.

B. Maximum Number of Units. Declarant has created 40 units pursuant to this Declaration. The maximum number of units that the Declarant hereby reserves the right to create in the Condominium is 40 units.

C. Description and Boundaries of Units. The unit numbers, location of units created by this Declaration within the Building and their approximate dimensions are shown on the Plats and Plans. A list of all unit numbers, locations (all as shown more fully on the Plats and Plans), and Common Element Interests and Common Expense Liability and votes in the Association appurtenant to each unit is attached hereto as Exhibit B.

The boundaries of each unit created by this Declaration will be as follows: (1) Horizontal (Upper and Lower) Boundaries or Each Unit shall be the following boundaries extended to an intersection with the vertical (perimetric) boundaries: (a) Upper Boundary: The horizontal plane of the lower horizontal surface of, ceiling joists; and (b) Lower Boundary: The horizontal upper surface of the floor; and (2) Vertical (perimetric) Boundaries of each unit shall be the internal surface of the walls bounding the unit extended to intersections with each other and with the horizontal boundaries. All lath, furring, wallboard, plasterboard, plaster, paneling, tiles, wallpaper, paint, finished flooring and any other materials constituting any part of the finished surfaces of the ceilings, walls or floors are a part of the unit, and all other portions of the walls, floors or ceilings are a part of the Common Elements. If any chute, flue, duct, wire, conduit, bearing wall, bearing column or any other fixture lies partially within and partially outside the designated boundaries of a unit, any portion thereof serving only that Unit is a Limited Common Element allocated solely to that Unit and any portion thereof serving more than one unit or any portion of the Common Elements is a part of the Common Elements. Subject to the foregoing provisions, all spaces, interior partitions and other fixtures and improvements within the boundaries of a unit are a part of the Unit. Any shutters, awnings, window boxes, doorsteps, stoops, halls, steps, porches, balconies, patios, and flues designed to serve a single unit

but which are allocated outside a Unit's boundaries are Limited Common Elements allocated exclusively to that Unit. The Building and Units shown on the plats and plans are subject to settling or lateral movement of the Building and minor variances between the Unit boundaries as shown or projected on the plats and plans and the physical boundaries as constructed or reconstructed. In such event, each Unit has an easement for encroachments as set forth in Article XVI hereof.

D. Subdivision or Relocation of Unit Boundaries. Subject to applicable provisions of this Declaration or law and environmental and land-use ordinances and regulations, and upon the prior written consent of the Association, the subdivision of Units and/or relocation of boundaries between Units will be permitted at the expense of the Unit Owners of the Unit or Units to be so subdivided and the boundaries of which are to be so relocated, subject to compliance with the provisions therefor set forth in Section 1602-113 and Section 1602-112 of the Act.

E. Alteration of Partitions. Subject to applicable provisions of law, ordinances, and land-use regulations, a Unit Owner may, after acquiring a horizontally or vertically adjoining Unit or adjoining part of an adjoining Unit, remove or alter any intervening partition or create apertures therein, even if the partition in whole or in part is a Common Element, if such acts do not impair the structural integrity or mechanical systems of the Building in which such Units are located or lessen the support or any portion of the Property. Removal of partitions or creation of apertures under this subparagraph is not an alteration of boundaries.

F. Maintenance Responsibilities. Notwithstanding the ownership of the various portions of the Common Elements and the Units by virtue of the foregoing boundary descriptions, the Units shall be maintained and repaired by each Unit Owner and the Common Elements shall be maintained and repaired by the Association except that if damages are inflicted to any Common Elements, the Unit Owner responsible for the damage is liable for the prompt repair thereof, all in accordance with the provisions of Section 1603-107(a) of the Act, except as expressly set forth to the contrary in this Declaration.

ARTICLE IV: COMMON ELEMENTS AND LIMITED COMMON ELEMENTS

A. Allocation of Limited Common Elements. A description, including the location and dimensions of all real estate that may be allocated as Limited Common Elements other than portions of the Property specified as Limited Common Elements in Section 1602-102(2) and (4) of the Act, is set forth on the Plats or Plans. Said Limited Common Elements consist of 80 numbered areas labeled 1 through 80, which areas shall be used solely as parking spaces. Pursuant to Section 1602-105(a)(7) of the Act, the Declarant reserves the right to assign each such area as a Limited Common Element for the exclusive use of the respective Unit Owner(s) to whose Units such area is assigned and becomes appurtenant. The Declarant and the Association may, without the consent of the Unit Owner or any Mortgagee, allocate each such area as a Limited Common Element pursuant to the provisions of Section 1602-108 of the Act by causing appropriate amendments to this Declaration to be executed and recorded by Declarant. Thereafter, the allocation of Limited Common Elements to the Units cannot be altered except with the written consent of the Owners and Mortgagees of record of the Units affected by the reallocation of Limited Common Elements, and in compliance with the provisions of Section 1602-108(b) of the Act.

B. Association Rights to Reserve Common Elements. "Reserved Common Elements" are those parts of the Common Elements which the Executive Board may designate from time to time for use by less than all Unit Owners or by non-Unit Owners for specified periods of time. The Executive Board of the Association shall have the power in its discretion from time to time to grant revocable licenses in designated Reserved Common Elements and to establish a reasonable charge for the use and maintenance thereof. Such designation by the Board shall not be construed as a sale or disposition of the Common Elements.

C. Common Element Interest. The Common Elements are all parts of the property other than the Units. The percentage of undivided interest in the Common Elements appurtenant to each Unit (the "Common Element Interest") is listed and allocated to each Unit in Exhibit B. The Allocated Interests including the Common Element Interest, the Common Expense Liability and the percentage of voting rights appurtenant to each Unit is a percentage determined on the basis of the estimated relative value of the Units as determined as of the date hereof by Declarant. Such percentage shall not be adjusted to reflect any changes in the relative value of the Units.

D. Common Elements to Remain Undivided. The Common Element Interest of a Unit shall be inseparable from each Unit, and any conveyance, lease, devise or other disposition or mortgage or other encumbrance of any Unit shall extend to and include the Common Element Interest, whether or not expressly referred to in the instrument effecting such transfer. Except as otherwise provided by law or this Declaration, the Common Element Interests and the fee titles to the respective Units conveyed therewith shall not be separately conveyed, transferred, alienated or encumbered and each of said Common Element Interests shall be deemed to be conveyed, transferred, alienated or encumbered with its respective Unit notwithstanding that the description in the instrument of conveyance, transfer, alienation or encumbrance may refer only to the fee title to the Unit. The Common Elements shall remain undivided and no action for partition or division of any part thereof shall be permitted, unless otherwise provided by law and permitted by this Declaration.

E. Amendment of Interest in Common Elements. Except with respect to the subdivision or conversion of Units as provided in Article III(D), or as otherwise provided in the Act, the Common Element Interest appurtenant to each Unit shall have a permanent character, shall be inseparable from each Unit and shall not be altered or changed except by the recording of an amendment to this Declaration, duly executed by all of the Unit Owners and all of the holders of record of any first Mortgage liens upon the Units.

F. Use of Common Elements. Except as their use may otherwise be limited by this Declaration or the By-Laws or otherwise by the Executive Board pursuant to its powers to establish rules and regulations, each Unit Owner, tenant and occupant of a Unit, and the family members and guests of such Unit owner, tenant and occupant, may use the Common Elements in common with all other, Unit Owners and tenants or occupants of other Units, and their respective family members and guests, in accordance with the purposes for which they are intended without hindering or encroaching upon the lawful rights of the other Unit

Owners, upon the following terms:

(1) The parking spaces are provided for the parking of private motor vehicles and shall not be used for the parking of commercial vehicles, trailers, motor homes, trucks with a gross weight of over 6,000 pounds except with the prior written approval of the Executive Board. Parking of permitted motor vehicles by Unit Owners and guests shall be only in any Limited Common Elements designated as spaces for parking and in the spaces in the Common Elements designated as spaces for parking. No unattended vehicle shall at any time be left in such a manner as to impede the passage of traffic or to impair access to parking areas. Parking areas and Common Elements shall at all times be kept free of unreasonable accumulations of debris or rubbish of any kind and no junk or derelict vehicle or other vehicle on which current registration plates are not displayed shall be kept upon any of the Common Elements. Vehicle repairs other than ordinary light maintenance are not permitted on the Property.

(2) Except for such signs as may be posted by the Declarant for promotional or marketing purposes, no signs of any character shall be erected, posted or displayed upon, in, from or about any Unit or Common Element without the prior written approval of the Executive Board. The foregoing provisions of this subparagraph shall not apply to a Mortgagee in possession of a Unit as a result of foreclosure, judicial sale or a proceeding in lieu of foreclosure.

(3) No Unit Owner shall obstruct any or the Common Elements nor shall any Unit Owner place or cause or permit anything to be placed on or in any of the Common Elements without the approval of the Board. Nothing shall be altered or constructed in or removed from the Common Elements except with the prior written consent of the Executive Board.

(4) The Executive Board, the Association, any Unit Owner and the Declarant shall not be considered a bailee, however, of any personal property stored on the Common Elements (including vehicles parked on the Common Elements), whether or not exclusive possession of the particular area is given to a Unit Owner for parking purposes, and shall not be responsible for the security of such personal property or for any loss or damage thereto, except to the extent covered by insurance in excess of any applicable deductible.

G. Alteration to Common Elements by Unit Owner. A unit Owner may make improvements and alterations to the interior of his Unit but no Unit Owner may make any improvements or alterations or do any work whatsoever which would impair the structural integrity or mechanical systems of the buildings, lessen the support of any portion of the Condominium, or jeopardize the soundness or safety of the Property. No Unit Owner shall impair any easement or hereditament therein without the unanimous consent of the Unit Owners affected thereby. No Unit Owner shall alter any of the Common Elements or paint or otherwise change the appearance or the; Common Elements (including the Limited Common Elements) or paint, or otherwise change the exterior appearance of his Unit (including, but not limited to, the exterior surfaces of doors) or any other portion of the Condominium without the prior written approval of the Association acting by the Executive Board.

H. Limited Common Elements, Maintenance. The Association shall maintain, repair and replace all Limited Common Elements and shall assess as a Common Expense the Common Expenses associated with the

maintenance, repair or replacement of such Limited Common Elements, provided that the Association shall also have the right to assess an individual Unit for such Common Expenses if the Common Expense shall be incurred due to the negligence, neglect or misconduct of the Owner of such Unit or his agents, invitees or guests.

I. Maintenance of Common Elements. The Association shall maintain, repair and replace all Common Elements and shall assess as a Common expense the Common Expenses associated with the maintenance, repair or replacements of such Common Elements, provided that the Association shall also have the right to assess an individual Unit for such Common Expenses if the Common Expense shall be incurred due to the negligence, neglect or misconduct of the Owner of such Unit or his agents, invitees or guests.

J. Maintenance of Unit. Each Unit Owner shall keep and maintain his Unit and its equipment, appliances and appurtenances in good order, condition and repair and in clean and sanitary condition, whether such maintenance and repair shall be structural, or nonstructural, ordinary or extraordinary and shall do all redecorating, painting and varnishing which may at any time be necessary to maintain the good appearance and condition of his Unit. No Unit Owner shall sweep or throw, or permit to be swept or thrown, from his Unit any dirt, debris or other substance. In addition, each Unit Owner shall be responsible for all damage to any other Units or to the Common Elements resulting from his failure or negligence to make any or the repairs required by this Article. Each Unit Owner shall perform his responsibility in such manner as shall not unreasonably disturb or interfere with the other Unit Owners. Each Unit Owner shall promptly report to the Executive Board or the managing agent any defect or need for repairs for which the Association is responsible.

K. Liability of Owner. Each Unit Owner shall be liable and the Association shall have a lien against his Unit for the expense of maintenance, repair or replacement of any damage to the Common Elements or to another Unit caused by such Unit Owner's act, neglect or carelessness or by that of any member of such Unit Owner's family, or such Unit Owner's guest or tenants, or their pets. Such liability shall include any increase in fire insurance, rates occasioned by use, misuse, occupancy, or abandonment of any Unit or its appurtenances. Nothing herein contained, however, shall be construed so as to modify any waiver by insurance companies of rights of subrogation against such Unit Owner.

ARTICLE V: SPECIAL DECLARANT RIGHTS

A. Development Rights. For a period of 3 years from the date of this Declaration, Declarant, its successors and assigns; reserve the following Development Rights (but shall have no obligation): (a) to add the real estate described in Exhibit C hereof or any part thereof to the Condominium; (b) to create Common Elements and/or Limited Common Elements on the Property described in Exhibit A and Exhibit C hereto; and (c) to subdivide units or to convert units, into Common Elements or Limited Common Elements. The Development Rights reserved herein may be exercised with respect to different parcels of real estate at different times and, no assurances are made in regard to the boundaries of the portions or regulation of the order in which those portions may be subjected to the exercise of each Development Right. If any Development Right is exercised in any portion of the real estate, subject to the Development Right, that Development Right need not be exercised in all or in any other portion of the remainder of the real estate.

B. Appointment of Association Officers and Board Members. Declarant reserves the right to appoint or remove any officer of the Association or any Executive Board members and, upon any voluntary surrender of the right to appoint and remove officers and members of the Executive Board, to approve acts of the Association or the Executive Board during the period of Declarant Control to the extent, in the manner and for the periods specified in Article VII of this Declaration.

C. Condominium Association and Executive Board Access. Declarant reserves in favor of itself, the Association and its Executive Board, officers, agents and employees, any managing agent and every other person authorized by the Executive Board the irrevocable right and easement to have access to each Unit as provided in Section 1603-107(a) of the Act as may be necessary for the inspection, maintenance, repair or replacement of any of Common Elements and Limited Common Elements therein or accessible therefrom or the making of any addition or improvements thereto; or to make repairs to any Unit, the Common Elements or the Limited Common Elements if such repairs are reasonably necessary for the public safety or to prevent damage to any other Unit or Units, the Common Elements or the Limited Common Elements; or to abate any violation of any law, orders, rules, or regulations of the Association or of any governmental authorities having jurisdiction thereof. In case of an emergency, such right of entry shall be immediate whether or not the Unit Owner is present at the time. The Association and its Executive Board shall have the right to grant to third parties permits, licenses and easements over and through the common Elements for utilities and other purposes reasonably necessary or useful for the proper maintenance and operation of the Condominium. Declarant's rights under this paragraph shall terminate on the earlier of (a) conveyance of all Units to Purchasers other than a Successor Declarant or (b) 7 years from the date of this Declaration.

D. Declarant's Easement for Marketing. The Declarant reserves the right with respect to its marketing of Units to use the Common Elements and Limited Common Elements for the ingress and egress of itself, its officers, employees, agents, contractors and subcontractors and for prospective purchasers of Units, including the right of such prospective purchasers to park in parking spaces. The Declarant also reserves the right to use any units owned or leased by the Declarant as models, management offices, sales offices for this and other projects. The Declarant reserves the right to relocate the same from time to time within the Property; upon relocation, the furnishings thereof may be removed. The Declarant further reserves the right to maintain on the Property such advertising signs and lighting as may comply with applicable governmental regulations, which may be placed in any location on the Property and may be relocated or removed, all at the sole discretion of the Declarant. Further, the Declarant shall have the right to erect temporary offices on Common Element Parking spaces and in the first floor Common Element Office or meeting area for models, sales, management, customer service and similar purposes. This easement shall continue until the earlier of (a) conveyance of all Units to Purchasers other than a Successor Declarant or (b) 7 years from the date of this Declaration. Any Limited Common Element parking spaces allocated as Limited Common Elements to Units owned by Purchasers may not be used for the purposes specified in this Paragraph.

E. Declarant's Easements for Construction. The Declarant reserves the easement, right and privilege without let or hindrance with respect

to the creation of the Units, Common Elements, Limited Common Elements, the Development Rights specified in Paragraph A herein above and other improvements of the Condominium, to go upon any and all of the Property except for Units conveyed to Purchasers for purposes of construction, reconstruction, maintenance repair, renovation, replacement, improvement or correction of the Units and Common Elements and for completion of the improvements indicated on the Plats and Plans and for the exercise of the Development Rights. Furthermore, the Declarant reserves an easement in the Units and Common Elements pursuant to Section 1602-116 of the Act for the purpose of discharging Declarant's obligations and exercising the Special Declarant Rights reserved pursuant to this Declaration. These easements shall continue until the earlier of (a) conveyance of all Units to Purchasers other than a Successor Declarant or (b) 7 years from the date of this Declaration.

F. Declarant's Right to Connect With Utilities. The Declarant further reserves an easement to connect with and make use of utility lines, wires, pipes and conduits located on the Property for construction purposes on the Property, provided that Declarant shall be responsible for the cost of service so used, and to use the Common Elements for ingress and egress and construction activities and for the storage of construction materials and equipment used in the completion of the Units and Common Elements. This easement shall continue until the earlier of (a) conveyance of all Units to Purchasers other than a Successor Declarant or (b) 7 years from the date of this Declaration.

G. Declarant's Right to Grant Easements. The Declarant shall have the right, until the earlier of (a) conveyance of all Units to Purchasers other than a Successor Declarant or (b) 7 years from the date of this Declaration, to grant and reserve easements and rights-of-way through, under, over and across the Property for construction purposes, and for the installation, maintenance and inspection of the lines and appurtenances for public or private water, sewer, drainage, gas, electricity, telephone and other utilities. The Units and Common Elements shall be, and are hereby, made subject to easements in favor of the Declarant, appropriate utility and service companies and governmental agencies or authorities for such utility and service lines and equipment as may be necessary or desirable to serve any portion of the Property. The easements created in this Paragraph shall include, without limitation, rights of Declarant, or the providing utility or service company, or governmental agency or authority to install, lay, maintain, repair, relocate and replace gas lines, pipes and conduits, water mains and pipes, sewer and drain lines, elevators, telephone wires and equipment, air conditioning, heating systems, ventilation systems, electric wires, conduits and, equipment and ducts and vents over, under, through, along and on the Units Common Elements.

H. Alteration of Common Elements by Declarant. The Declarant reserves the right (but shall have no obligation) to modify, alter, remove or improve defective, obsolete or nonfunctional portions of Common Elements, including without limitation any equipment, fixtures and appurtenances when in the Declarant's judgment it is necessary or desirable to do so, until the earlier of (a) 7 years from the date of this Declaration or (b) conveyance all Units to Purchasers other than a Successor Declarant.

I. Transfer of Special Declarant Rights; Surrender. Declarant reserves the right to transfer from time to time to any one or more transferees any or all reserved Special Declarant Rights in accordance

with Section 1603-104 of the Act. Notwithstanding any other provisions in this Declaration, this Article may not be amended without the prior written consent of the Declarant. Notwithstanding the foregoing, Declarant may surrender or terminate any rights reserved under this Article at any time by recording an instrument so providing in the York County Registry of Deeds.

ARTICLE VI: ASSESSMENTS FOR COMMON EXPENSES

A. Common Expense Liability. Reference is made to Exhibit B for the allocation to each Unit of the respective liability for Common Expenses (the "Common Expense Liability") allocated to each. The Common Expense Liability allocated to each Unit is a percentage of the Common Expenses assessed against all the Units that is equal to the Common Element Interest appurtenant to the respective Unit.

B. Allocation of Assessments of Common Expense. The total amount of Common Expenses shall be assessed against the Units in the following proportions: (1) the Common Expenses that are not Limited Common Expenses shall be assessed against all the Units in proportion to the relative Common Expense Liabilities of all the Units; (2) the Limited Common Expenses shall be assessed solely against each Unit benefited except as otherwise provided in this Declaration; if a Limited Common Expense benefits more than a single Unit, but fewer than all of the Units, that Limited Common Expense shall be assessed solely against each Unit benefited in proportion to the relative Common Expense Liabilities of such Units as between themselves; (3) assessments to pay a judgment against the Association shall be made as a Limited Common Expense against the Units included in the Condominium at the time such judgment was entered; (4) any utilities which are or are made by Declarant to be separately metered shall be supplied by the public utility company serving the area directly to each Unit through a separate meter and each Unit Owner shall be required to pay the bills for utilities consumed or used in his Unit; any utilities which are not separately metered shall be paid by the Executive Board as a Common Expense.

The Declarant shall not be liable for any assessments for any Units until after the later to occur of the first conveyance of a Unit to a third person other than an affiliate of the Declarant or the first Common Expense assessment by the Association. Assessments for Common Expenses shall commence on the first date of the first month following the date of the first conveyance of a Unit to a person other than the Declarant or a successor Declarant.

C. Payment Obligations. Each Unit Owner shall pay to the Association or its authorized representative on the first day of each month, or on such other date that the Association may determine in writing, one-twelfth of the Common Expenses including Limited Common Expenses assessed on an annual basis against his Unit in the proportions required in Paragraph B of this Article in accordance with the By-Laws and subject to Section 1603-103(c) of the Act. If for any reason the Association shall revise the annual budget or the Association in accordance with the By-Laws and subject to Section 1603-103(c) of the Act whereby the Common Expenses or any component thereof may be increased, then commencing on the first day of the first month subsequent to the adoption of such revised budget each Unit Owner shall pay to the Association or its authorized representative one twelfth of any such revised annual Common Expenses including Limited Common

Expenses assessed against his Unit in the proportions required in Paragraph B of this Article.

D. Interest; Acceleration. In the event of a default by any Unit Owner in paying any sum assessed against his Unit which continues for a period in excess of thirty (30) days, interest at a rate of interest to be established annually by the Executive Board which shall not exceed the lower of the maximum interest rate allowed by law which may be charged by the Association at such time or eighteen percent per annum shall be imposed on the principal amount unpaid from the date when due until paid. If the Executive Board shall fail to set such rate, it shall be deemed to have been set at the rate of Eighteen Percent (18%) per annum. The Association shall have the right to establish and impose charges for late payment of assessments. In any case where an assessment against a Unit Owner is payable in installments, upon a default by such Unit Owner in the timely payment of any two consecutive installments, the maturity of the remaining total of the unpaid installments of such assessments may be accelerated at the option of the Executive Board, and the entire balance of the annual assessment may be declared due and payable in full by the service of notice to such effect upon the defaulting Unit Owner by the Executive Board or its representative.

L. Lien for Assessments. The total annual assessment levied against each Unit for Common Expenses including Limited Common Expenses, revised Common Expenses including Limited Common Expenses, or any special assessment, and any other sums duly levied against the Unit pursuant to this Declaration, the By-Laws, or the Act and all interest thereon and charges for late payment thereof and legal fees and other costs of collection thereof shall constitute the personal liability of the Owner of the Unit so assessed and also shall, until fully paid, constitute a lien against the Unit in favor of the Association from the date upon which such assessment, special assessment or other sum such as interest becomes due as provided in Section 1603-116 of the Act. Such lien shall, with respect to annual assessments, be effective on the first day of each fiscal year of the Association as to the full amount of the annual assessment, and, as to special assessments and other sums duly levied, on the first day of the next month which begins more than ten (10) days after delivery to the Unit Owner of notice of such special assessment or levy. Such lien is prior to all other liens and encumbrances on a Unit except (a) liens and encumbrances recorded before the recordation of this Declaration, (b) a first Mortgage recorded before or after the date on which the assessment sought to be enforced becomes delinquent, and (c) liens for real estate taxes and sewer liens or Assessments against the Units; provided, however, that such lien is not subject to the provisions of 14 M.R.S.A. §4561 and 18-A M.R.S.A. §2-201, et seq., as they or their equivalents may be amended or modified from time to time.

F. Enforcement. The lien for assessments described in Paragraph E of this Article may be enforced and foreclosed by the Association in like manner as a mortgage on real estate as provided in Section 1603-116(a) of the Act or by any other means presently or hereafter provided by law or in equity. A suit to recover a money judgment for unpaid assessments, interests, penalties, and costs of collection may be maintained against the Unit Owner personally without foreclosing or waiving the lien securing such assessments and a foreclosure may be maintained notwithstanding the pendency of any suit to recover a money judgment. During the pendency of any such suit, the Unit Owner shall be required to pay a reasonable rental for the Unit for any period prior to

the sale pursuant to any judgment or order of any Court having jurisdiction over such sale.

G. Exemption From Expenses by Waiver of Use of Common Elements or Unit Elements. No Unit Owner may exempt himself from Common Expense Liability with respect to the payment of assessments for Common Expenses by waiver of the enjoyment of the right to use any of the Common Elements or by abandonment of his Unit or otherwise. The obligation to pay assessments for Common Expenses is absolute and unconditional and shall not be subject to set-offs or counterclaims.

H. Reduction of Expenses. All receipts from payments, fees or charges for the use, rental, operation, or allocation as a Reserved Common Element, of any and all Common Elements shall be applied first to reduce the Common Expense relating to the use of that Common Element giving rise to such receipt and any excess thereof shall be applied to Common Expenses generally.

I. Surplus Funds. If at the end of any fiscal year any amounts accumulated from assessments for Common Expenses and income from the operation of the Common Elements to which such Common Expenses pertain shall exceed the amount required for actual Common Expenses and provision for Common Expenses and any payment of reserves for future Common Expenses, such excess shall be applied to the reserve fund, or if not so applied, shall be credited to each Unit Owner in proportion to their respective Common Expense Liabilities to reduce until exhausted the next monthly installments due from Unit Owners. Surplus funds shall not otherwise be paid or credited to Unit Owners.

J. Service Charges. The Association shall have the express power to separately charge a unit and the owner thereof for services rendered to that unit. Such charges shall be a lien on the unit with the same status as a lien for common expense assessments under this Declaration and By-Laws, which lien for service charges may be foreclosed in like manner as a mortgage on real estate. The recordation of this Declaration constitutes record notice of the lien. Service charges shall include without limitation: (1) if a Unit Owner, members of his family, guests or tenants requests the Association to perform repair and maintenance work on his Unit or damages the Common Elements or fails to perform maintenance and repair work required, the expense thereof as determined by the Executive board or its designee may be assessed as a service Charge; (2) fees, if any, which may be established by the Executive Board for use and maintenance of water, sewer, heat and/or other utility services; and (3) insurance premiums on permanent improvements to Units installed by Unit Owners and insured by the request of the Unit Owner with the Association's hazard insurance carrier.

K. Liability. In a voluntary conveyance, the Purchaser of a Unit shall be jointly and severally liable with the Seller for all unpaid common charges, assessments, service charges, interest and costs of collection up to the time of the grant or conveyance, although the Purchaser shall not be prevented from exercising any right to recover from the Seller the amounts paid for those assessments and common charges. A Purchaser or prospective purchaser under a purchase and sale contract for a Unit may obtain, upon request and the payment of such fee as may be established from time to time by the Executive Board, a statement from the Association setting forth the amount of unpaid common charges, assessments and service charges, interest and costs of collection against the unit, as of the date of grant or conveyance and such other

items required by the Act. The Purchaser shall not be liable for, and the Unit conveyed shall not be subject to a lien for any unpaid amounts due from the Seller before the statement date in excess of the amount set forth in the statement except interest and costs of collection accrued thereafter.

ARTICLE VII: UNIT OWNERS ASSOCIATION; DECLARANT CONTROL

A. Owners Association and By-Laws. Each Unit Owner shall be a member of the Association, a non-profit corporation organized under the laws of the State of Maine known as the Seawatch Condominium Association. Membership shall be appurtenant to the units, and the transfer of title to a Unit shall automatically transfer the membership appurtenant to that Unit to the transferee or transferees. A mortgage, however, shall not transfer membership until foreclosure or sale in lieu of foreclosure. The By-Laws of the Association are attached hereto as Exhibit D.

B. Declarant Control Period. Until the earlier of (1) 3 years from the first conveyance of a Unit to a person other than the Declarant, or (2) 60 days after conveyance of 75% of the Units to Unit Owners other than a Declarant, subject to earlier termination as set forth below, Declarant shall control the Association ("Declarant Control Period"), and during this period Declarant or persons designated by him may appoint, remove and replace members of the Executive Board.

ARTICLE VIII: LIMITATION OF LIABILITY

A. Limited Liability of the Executive Board. No member of the Executive Board or officer of the Association, except to the extent of his or her willful misconduct or gross negligence: (1) shall be liable for the failure or any service to be obtained by the Executive Board and paid for by the Association, or for injury or damage to persons or property caused by the elements or by another Unit Owner or person on the Property, or resulting from electricity, gas, water, rain, dust or sand which may leak or flow from the outside or from any part of the Building, or from any of its pipes, drains, conduits, appliances, or equipment, or from any other place; (2) shall be liable to the Unit Owners as a result of the performance of the Executive Board members' duties for any mistake of judgment, negligence or otherwise; (3) shall have any personal liability in contract to a Unit Owner or any other person or entity under any agreement, check, contract, deed, lease, mortgage, instrument or transaction entered into by them on behalf of the Executive Board or the Association in the performance of the Executive Board members' duties; (4) shall be liable to a Unit Owner, or such Unit Owner's tenants, employees, agents, customers, or guests, for loss or damage caused by theft of or damage to personal property left by guest in a Unit, or in or on the Common Elements or Limited Common Elements; (5) shall have any personal liability in tort to a Unit Owner or any other person or entity, direct or imputed, by virtue of acts performed by or for them; or (6) shall have any personal liability arising out of the use, misuse or condition of the Buildings, or which might in any other way be assessed against or imputed to the Executive Board members as a result of or by virtue of their performance of their duties.

B. Indemnification. Each member or the Executive Board, in his capacity as an Executive Board member, officer or both, shall be indemnified by the Association against all expenses and liabilities,

including attorney's fees reasonably incurred by or imposed upon him in connection with any proceeding in which he may become involved by reason of his being or having been a member and/or officer of the Executive Board, or any settlement of any such proceeding, whether or not he is an Executive Board member, officer or both at the time such expenses are incurred, except in such cases wherein such Executive Board member and/or officer is adjudged guilty of willful misconduct or gross negligence in the performance of his duties; provided that, in the event of a settlement, this indemnification shall apply only if and when the Executive Board (with the affected member abstaining if he is then an Executive Board member) approves such settlement and reimbursement as being in the best interests of the Association; and provided further that indemnification hereunder with respect to any criminal action or proceeding is permitted only if such Executive Board member and/or officer had no reasonable cause to believe his conduct was unlawful. The indemnification by the Unit Owners set forth in this Paragraph shall be paid by the Association on behalf of the Unit Owners and shall constitute a Common Expense and shall be assessed and collectible as such. Such right of indemnification shall not be deemed exclusive of any other rights to which such Executive Board member and/or officer may be entitled as a matter of law or agreement or by vote of the Unit Owners or otherwise.

C. Defense of Claims. Complaints brought against the Association, the Executive Board or the officers, employees or agents thereof in their respective capacities as such, or the Condominium as a whole, shall be directed to the Executive Board of the Association, which shall promptly give written notice thereof to the Unit Owners and the Eligible Mortgage holders and the Mortgagees of Units identified to the Association, and such complaints shall be defended by the Association. The Unit Owners shall have no right to participate in such defense other than through the Association.

ARTICLE IX: EMINENT DOMAIN

A. Entire Unit. If any Unit shall be taken or condemned by any authority having the power of eminent domain, or if part of a Unit is taken or condemned by any authority having the power of eminent domain leaving the Unit Owner with a remnant which may not be practically or lawfully used for any purpose permitted by this Declaration, the award for such taking or condemnation shall be paid to the Unit Owner as compensation for his Unit and its Allocated Interest in the Common Elements whether or not any Common Elements are taken or condemned. Upon such taking or condemnation, unless the decree provides otherwise, that Unit's entire Allocated Interests shall be automatically reallocated to the remaining Units in proportion to the respective Allocated Interests of those Units prior to the taking or condemnation, and the Association shall promptly prepare, execute and record as a Common Expense an amendment to this Declaration reflecting such reallocation. Any remnant of a Unit remaining after part of a Unit is taken or condemned under this Article IX(A) shall thereafter be a Common Element.

B. Part of Unit. Except as otherwise provided in Paragraph A, if part of a Unit is taken or condemned by any authority having the power of eminent domain, any award therefor shall be paid to the Owner of such Unit as compensation for the reduction in value of the Unit and its Allocated Interest in the Common Elements, whether or not any Common Elements are taken or condemned. After such part of a Unit is taken or condemned: (1) That Unit's Allocated Interests shall be reduced in

proportion to the reduction in relative value of the Unit as determined by the Association; and (2) The portion of the Allocated Interests, Common Element Interest, Votes and Common Expense Liability which has been divested by virtue of the taking or condemnation from the partially-acquired Unit, shall be automatically reallocated to such Unit and the remaining Units in proportion to the respective Allocated Interests appurtenant to each of the Units before the taking or condemnation with the partially acquired unit participating in the reallocation on the basis of its reduced Allocated Interests, and the Association shall promptly prepare, execute and record as a Common Expense an amendment to this Declaration reflecting such reallocation, with the partially taken or condemned Unit participating in the reallocation on the basis of its reduced Allocated Interests.

C. Common Elements. If part of the Common Elements shall be taken or condemned by any authority having the power of eminent domain, the Association shall represent the Unit Owners in any condemnation proceedings or in negotiations, settlements and agreements with the condemning authority, and the portion of the award attributable to the Common Elements taken shall be paid to the Association for the use and benefit of the Unit owners and their Mortgagees as their interests may appear. Each Unit Owner appoints the Association as attorney-in-fact for this purpose. Subject to the provisions of Article IX(D), the Association shall divide any portion of remaining Common Elements among the Unit Owners and their Mortgagees, in proportion to their respective interests in the Common Elements prior to such taking or condemnation, but the portion of the award attributable to the acquisition of any Limited Common Element shall be equally divided among the owners of the Units to which such Limited Common Element was allocated at the time of such taking or condemnation. The Association shall promptly prepare, execute and record as a Common Expense an amendment to this Declaration reflecting such reallocation.

D. Decree, Prior Liens. The court decree shall be recorded. Notwithstanding anything to the contrary in this Article, lien holders on any Unit, Common Element or Limited Common Element, shall have a lien on any such awards in order of priority of their respective liens.

ARTICLE X: REPAIR AND RECONSTRUCTION AFTER FIRE OR CASUALTY

A. Required Repair and Reconstruction. In the event of damage to or destruction of all or any part of the Property as a result of fire or other casualty, the Executive Board on behalf of the Association shall promptly arrange for and supervise the prompt repair, replacement and restoration thereof (including any damaged Units, service fixtures, service machinery and other apparatus initially installed therein by the Declarant, but not including any other furniture, furnishings, fixtures, equipment or other personal property supplied or installed by the Unit Owners in the Units), substantially in accordance with this Declaration, Plats and Plans, the original elevation thereof and the original plans and specifications therefor unless (a) the Condominium is terminated, or (b) repair, replacement or restoration would be illegal under any state or local health, safety, land-use or environmental statute, code or ordinance, or (c) eighty percent (80%) of the Unit Owners vote not to repair, restore or replace the damaged or destroyed Property, and such decision is approved by every Owner of a Unit or Limited Common Element, which will not be repaired, replaced or restored, and by all Eligible Mortgage Holders of all Mortgages thereon.

B. Procedure for Reconstruction and Repair. If repair, replacement or restoration shall be required pursuant to Paragraph A of this Article: (1) Cost Estimates: The Executive Board shall promptly obtain reliable and detailed estimates of the cost of repairing and restoring such portion (including any damaged Units, fixtures, service machinery and other apparatus initially installed by Declarant, but not including any other furniture, furnishings, fixtures or equipment installed by the Unit Owner in the Unit) substantially in accordance with this Declaration, the Plats and Plans, the original elevation thereof and original building plans and specifications therefor unless other action is approved by at least fifty-one percent (51%) in voting interest of the Unit Owners; such costs may also include professional fees and premiums for such bonds as the Insurance Trustee may determine to be necessary; (2) Assessments: If the net proceeds of insurance, if any, are not sufficient to defray such estimated costs of reconstruction, repair and replacement, or if upon completion of reconstruction and repair the funds for the payment of the costs thereof are insufficient, the amount necessary to complete such reconstruction and repair may be obtained from the appropriate reserve for replacement funds, and any such costs in excess of insurance proceeds and reserves shall be deemed a Common Expense and a special assessment therefor shall be levied by the Association; and (3) Construction Fund and Disbursement: The proceeds of insurance collected on account of the casualty, and the sums received by the Association from collections of assessments against Unit Owners pursuant to Paragraph B(2) of this Article on account of such casualty, shall constitute a construction fund which shall be held in trust by the Insurance Trustee or Association as provided in this Declaration and disbursed in payment of the costs of reconstruction and repair in the following manner;

(a) if the estimated cost of reconstruction and repair is less than One Hundred Thousand (\$100,000.00) Dollars. then the construction fund shall be disbursed in appropriate progress payments, or upon order of the Executive Board; provided, however, that upon request of fifty percent (50%) of the Eligible Mortgage Holders (based upon one vote for each Mortgage held) such funds shall be disbursed pursuant to subparagraph B(3)(b); (b) if the estimated cost of reconstruction and repair is One Hundred Thousand (\$100,000.00) Dollars or more, then the construction fund shall be disbursed in payment of such costs upon approval of an architect qualified to practice in the State of Maine employed by the Association (the "Architect") or Insurance Trustee to supervise such work and approved by such fifty percent (50%) of the Eligible Mortgage holders, payment to be made from time to time as the work progresses; the Architect shall be required to furnish a certificate giving a brief description of the services and materials furnished by various contractors, subcontractors, materialmen, the architect and other persons who have rendered services or furnished materials in connection with the work stating that: (i) the sums requested by them in payment are justly due and owing and that such sums do not exceed the value of the services and materials furnished; (ii) there is no other outstanding indebtedness known to such Architect for the services and materials described; (iii) the cost as estimated by such Architect for the work remaining to be done subsequent to the date of such certificate does not exceed the amount of the construction fund remaining after payment of the sum so requested; and (c) when the damage is to both Common Elements and Units, the insurance proceeds shall be applied first to the cost of repairing the Common Elements and thereafter to the cost of repairing the Units; and (d) the first monies disbursed in payment of the cost of reconstruction and repair shall be

from any insurance proceeds and, if there is a balance in the construction fund after the payment of all of the costs of the reconstruction and repair for which the fund is established, such balance shall be distributed among all Unit Owners, Mortgage holders and lien holders, as their respective insurable interests may appear, in proportion to their respective Common Element Interests or the Common Element Interests to which their respective Mortgages are subject.

C Damage or Destruction; No Repair or Replacement. If the entire Condominium is not repaired or replaced: (1) the insurance proceeds attributable to the damaged Common Elements shall be used to restore the damaged areas of the Common Elements to a condition compatible with the remainder of the Condominium as determined by the Executive Board or Architect; (2) the insurance proceeds attributable to Units and Limited Common Elements which are not rebuilt shall be distributed to the Owners and Mortgagees of those Units as their insurable interests appear and the Owners and Mortgagees of the Units to which those Limited Common Elements were assigned or allocated, as their insurable interests may appear; and (3) the remainder of the proceeds shall be distributed to all the Unit Owners and Mortgagees, as their insurable interest may appear, in proportion to their respective Common Element Interests or the Common Element Interests to which their respective Mortgages are subject.

If the Unit Owners and their Mortgagees vote not to rebuild any Unit, that Unit's entire Allocated Interests shall be automatically reallocated upon said vote as if the Unit had been condemned as provided in Article IX of this Declaration and the Association shall prepare, execute and record an amendment to this Declaration reflecting the reallocations. Notwithstanding any provisions of this Article to the contrary, Section 1602-118 of the Act governs the distribution of insurance proceeds if the Condominium is terminated.

ARTICLE XI: INSURANCE

A. Policies. Commencing no later than the time of the first conveyance of a Unit other than as security for an obligation to a person other than the Declarant, the Executive Board on behalf of the Association shall obtain, or cause to be obtained, and shall maintain, the policies of insurance described in Paragraphs (B), (D) and (E) of this Article to the extent such policies shall be reasonably available from reputable insurance companies. To the extent that said insurance described in said Paragraphs (B), (D) and (E) is not reasonably available, the Executive Board on behalf of the Association shall give written notice of that fact to the Unit Owners and Eligible Mortgage Holders of Mortgages or their Units by hand-delivery, securing a receipt therefor, or by prepaid United States mail, return receipt requested. To the extent that any of the insurance described in Paragraphs (B), (D) and (E) becomes in the future no longer available, the Association shall obtain in substitution therefor such comparable insurance as shall then be available.

B. Property Insurance. The Executive Board shall obtain and maintain as a Common Expense a blanket-type or master standard form of "all-risk" fire insurance policy with extended coverage, vandalism, malicious mischief, wind storm, sprinkler leakage (if applicable), debris removal, cost of demolition and water damage endorsements issued by an insurance company authorized to do business in the State of Maine insuring as a single entity the entire Property (exclusive of land,

foundations, excavations, and other similar items customarily excluded from property insurance policies), including the Units (and any bathroom and service fixtures, service machinery, and other appliances and apparatus initially, installed therein by the Declarant and the replacements thereto installed by the Declarant but not including furniture, wallcoverings, furnishings or other personal property supplied or installed by Unit Owners), and including all air-conditioning and heating equipment and other service machinery contained in the Property covering the interests of and naming as named insureds, the Association (for the use and benefit of the individual Unit Owners), the Executive Board and all Unit Owners and their Mortgagees and their Mortgagees' successors and assigns, as their insurable interests may appear, and containing a standard Maine Mortgage Clause in favor of each Mortgagee of a Unit with provisions that the proceeds of loss, if any, shall first be payable to each Mortgagee, its successors and assigns, as its insurable interest may appear (subject, however, to the loss payment and adjustment provisions in favor of the Insurance Trustee or Association contained in Paragraph (C) and (B)(8) of this Article and Article X(B)(3) hereof, in an amount no less than one hundred percent (100%) of the then current full replacement cost of the Property (exclusive of the land, excavations, foundations and other similar items customarily excluded from such coverage), without deduction for depreciation (such amount to be redetermined annually by the Executive Board with the assistance of the insurance company affording such coverage). Such policy shall contain such "deductible" as the Executive Board shall reasonably deem appropriate and shall also contain all endorsements required by the guidelines promulgated by the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation, as amended from time to time together with the following provisions:

(1) The following endorsements (or their equivalent); (a) "no control" (to the effect that coverage shall not be prejudiced by any act or neglect of any occupant or Unit Owner or their agents when such act or neglect is not within the control of the insured, or the Unit Owners collectively; nor by any failure of the insured, or the Unit Owners collectively, to comply with any warranty or condition with regard to any portion of the Condominium over which the insured, or the Unit Owners collectively, have no control); (b) "Construction Code Endorsement" or "increased cost of construction"; (c) steam boiler coverage endorsement, if applicable; and (d) "agreed amount" or elimination of coinsurance clause and inflation-guard endorsement, if applicable; (2) That any "no other insurance" clause expressly exclude individual Unit Owners' policies from its operation so that the physical damage policy purchased by the Executive Board shall be deemed primary coverage and any individual Unit Owners' policies shall be deemed excess coverage, and in no event shall the insurance coverage obtained and maintained by the Executive Board hereunder provide for or be brought into contribution with insurance purchased by individual Unit Owners or their Mortgagees; (3) Each Unit Owner is an insured person under the policy with respect to liability arising out of his ownership of an undivided interest in the Common Elements or membership in the Association; (4) The insurer waives its right to subrogation under the policy against any Unit Owner of the Condominium or members of his household; (5) No act or omission by any Unit Owner, unless acting within the scope of his authority on behalf of the Association, will void the policy or be a condition to recovery under the policy; and (6) If, at the time of a loss under the policy, there is other insurance in the name of a Unit Owner covering the same risk covered by the policy,

the Association's policy provides primary insurance; and (7) The recognition of any Insurance Trustee Agreement whereby the Executive Board may designate in writing a bank or trust company authorized to do business in the State of Maine as trustee for all Unit Owners and their Mortgagees as their respective interests may appear (the "Insurance Trustee") to hold any insurance proceeds in trust for disbursements as provided in Paragraphs (C), (B)(7) and (B)(3) of this Article and Article X(b) (3).

C. Losses; Adjustment and Payment; Insurance Trustee. Any loss covered by the insurance policy described in Paragraph (B)(1) and (2) of this Article shall be adjusted with the Association by its Executive Board, but the insurance proceeds for said loss shall be payable to the Insurance Trustee designated for that purpose as provided in Paragraph (B)(7) of this Article, or otherwise to the Association, and not to any Mortgagee. The Insurance Trustee or the Association shall hold any insurance proceeds in trust for Unit Owners, Mortgagees and other lien holders as their interests may appear. Subject to the provisions of Paragraph (C) of this Article and Article X(B)(3), the proceeds shall be disbursed first for the repair or restoration of the damage to the Property, and Unit Owners, Mortgagees and other lien holders are not entitled to receive payment of any portion of the proceeds unless there is a surplus of proceeds after the damaged Common Elements and Units have been repaired or restored, the decision has been made not to repair or restore the damage as provided in Article X(A)(3), or the Condominium is terminated.

D. Liability Insurance. The Executive Board shall obtain and maintain, as a Common Expense, Comprehensive general public liability insurance (including medical payments insurance) and property damage insurance in such limits as the Board may from time to time determine, insuring each Executive Board Member, any managing agent, each Unit Owner and the Declarant against any liability to the public or to the Unit Owners (and their invitees, agents and employees) covering all occurrences commonly insured against for death, bodily injury or property damage arising out of, or incident to, the maintenance, ownership or use of the Common Elements and/or relating to any legal liability resulting from suits or actions related to employment contracts to which the Association is a party. Such insurance shall be issued on a comprehensive liability basis and shall contain: (a) a cross liability endorsement under which the rights of a named insured under the policy shall not be prejudiced with respect to his action against another named insured; and (b) a "severability of interest" endorsement which shall preclude the insurer from denying liability to a Unit Owner because of negligent acts of the Association or of another Unit Owner. The Executive Board shall review such limits once each year, but in no event shall such insurance be less than one million dollars covering claims for bodily injury or property damage arising out of one occurrence.

E. Other Insurance. The Executive Board shall obtain and maintain as a Common Expense: (1) insurance to satisfy the indemnification obligations of the Association as provided in this Declaration to the extent available and at the option of the Executive Board; (2) workmen's compensation insurance if and to the extent necessary to meet the requirements of law; (3) blanket fidelity bond coverage for any management agent and for anyone who handles or is responsible for funds held or administered by the Association whether or not compensation is received for such services, which fidelity bond shall name the

Association as an obligee; and (4) such other insurance as the Executive Board may determine or as may be requested from time to time by a majority in voting interest of the Unit Owners. Said fidelity bond shall cover the greater of (a) the maximum funds in the custody of the Association or management agent at any time and in addition shall be at least equal to the sum of three months of assessments on all Units plus the Association's reserve funds or (b) 150% of the estimated annual operating expenses, including reserves of the Condominium. The fidelity bond shall provide for ten days written notice to the Association, any insurance trustee and each servicer that services a FNMA-owned mortgage of a Unit before the bond can be canceled or modified for any reason.

F. Memoranda, Cancellation, Additional Required Provisions. All insurers that shall issue an insurance policy or policies under the Association, and, upon request, to any Unit Owner or Mortgagee. All such insurers issuing the policy may not cancel (including cancellation for non-payment of premium), substantially modify or refuse to renew such policy or policies until twenty (20) days after notice of the proposed cancellation, modification or non-renewal has been mailed to the Association, the managing agent, each Unit Owner and each Mortgagee to whom a certificate or memorandum of insurance has been issued at their respective last known addresses. All policies under this Article shall in addition contain the following provisions: (1) The insurer waives any right to claim by way of subrogation against the Declarant, the Association, the Executive Board, the managing agent or the Unit Owners, and their respective agents, employees, guests and, in the case of Unit Owners, the members of their household; (2) The Declarant, so long as Declarant shall own any Unit, shall be protected by all such policies as a Unit Owner.

G. Separate Insurance. Each Unit Owner shall have the right, at his own expense, to obtain insurance for his own Unit and for his own benefit and to obtain insurance coverage upon his personal property and for his personal liability as well as upon any improvements made by him to his Unit under coverage normally called "improvements and betterments coverage", and for such other risks as are normally insured against; provided, however, that no Unit Owner shall be entitled to exercise his right to acquire or maintain such insurance coverage so as to decrease the amount which the Executive Board, on behalf of all Unit Owners, may realize under any insurance policy maintained by the Board or to cause any insurance coverage maintained by the Board to be brought into contribution with insurance coverage obtained by a Unit Owner. All such policies shall contain waivers of subrogation. Each Unit Owner shall obtain and maintain general liability insurance in such amounts as required by the Association from time to time and shall provide a certificate of insurance to the Executive Board for each term of coverage at least two weeks prior to the expiration date of the current term of such insurance.

ARTICLE XII:

RESTRICTIONS ON USE, OCCUPANCY OR ALIENATION OF UNITS

A. Use and Occupancy Restrictions on Units. Each Unit shall be occupied and used subject to the following restrictions: (1) no Unit shall be used for other than for residential purposes of the Unit Owners or such other persons to whom the Unit Owners have leased the Unit in accordance with this Declaration, the By-Laws and any rules and regulations adopted by the Association; nothing in this Declaration shall be construed to prohibit the Declarant from exercising any

easements and rights reserved by the Declarant pursuant to this Declaration for any purposes including promotional, marketing or display purposes, from using any appropriate portion of the Common Elements for exercising these reserved rights, settlement of sales of Units and for customer service purposes, or from leasing Units owned by Declarant as provided in this Declaration; (2) nothing shall be done or kept in any Unit or in the Common Elements which will increase the rate of insurance for the Property or any part thereof applicable for commercial use without the prior written consent of the Executive Board; no Unit Owner shall permit anything to be done or kept in in his Unit or in the Common Elements which will result in the cancellation of insurance on the Property or any part thereof or which would be in violation of any law, regulation or administrative ruling; no waste will be committed on the Common Elements; (3) no Unit shall be used so as to create a nuisance or an unreasonable interference with the peaceful possession and occupation or proper use of any other Unit or the Common Elements; and (4) no owner or occupant of any Unit shall carry on, or permit to be carried on, any practice which unreasonably interferes with the quiet enjoyment and proper use of another Unit or the Common Elements by the Owner or occupant of any other Unit, or which creates or results in a hazard or nuisance on the Property; (5) the maintenance, keeping, boarding and/or raising of animals, laboratory animals, livestock, poultry or reptiles of any kind, regardless of number, is prohibited within any Unit or upon the Common Elements except that the Executive Board may adopt rules permitting certain household pets.

B. Leasing Restrictions. No Unit shall be rented for a period of less than thirty days. No Unit Owner shall lease a Unit other than on written form of lease requiring the lessee to comply with the Condominium Documents and rules and regulations of the Association. Each Unit Owner shall, promptly following the execution of any lease of a Unit, notify the Association in writing of the name of the tenant and the term of the lease and any options in the lease to renew, extend or purchase. The By-Laws may provide for further regulation and rental of Units, except that no other restrictions will be imposed relating to the term of any lease or rental agreement.

C. Voluntary Resale of Units. The following provisions apply to the sales of Units by all Unit Owners other than the Declarant: (1) No Unit Owner shall be liable for the payment of any part of the Common Expenses assessed against his Unit subsequent to the date of recordation of a bona fide conveyance in fee of such Unit by the Owner. In a voluntary transfer of a Unit, the grantee of the Unit shall be jointly and severally liable with the grantor for all unpaid assessments and special assessments for Common Expenses made by the Executive Board against the latter up to the time of the recordation of grantor's transfer, without prejudice to the grantee's right to recover from the grantor the amounts paid by the grantee therefor. However, any person who shall have entered into an agreement to purchase a Unit from a Unit Owner shall be entitled to a certificate from the Executive Board as provided by Section 1604-108(b) of the Act, and the grantee shall not be liable for, nor shall the Unit conveyed be subject to a lien for, any assessments or unpaid special assessments made by the Executive Board against the grantor for Common Expenses in excess of those disclosed on such certificate. All Unit Owners shall comply with Section 1604-108 of the Act. Except as provided in this Article, there are no other restrictions governing the voluntary transfer of a Unit.

D. Rules and Regulations. Each Unit may be used subject to all

restrictions contained in the Unit deed, this Declaration, the By-Laws of the Association, and the Rules and Regulations of the Association, as amended from time to time.

ARTICLE XIII: APPLICABILITY; COMPLIANCE AND DEFAULT

A. Applicability. This Declaration shall be applicable to the Condominium. All present and future Owners and tenants, their guests, servants, agents and employees and any other person or persons that shall be permitted to use the Common Elements shall be subject to this Declaration, the By-Laws and to such rules and regulations as may be issued by the Executive Board of the Association from time to time to govern the conduct of its members and the use and occupancy of the Property. Ownership, rental or occupancy of any of the Units in the Condominium shall be conclusively deemed to mean that said Owner, tenant or occupant has accepted and ratified this Declaration, the By-Laws and the rules and regulations of the Association and will comply with them. The acceptance of a deed or conveyance (other than as security) or the entering into of a lease or the entering into of occupancy of any Unit (other than possession by a Mortgagee prior to either the completion of foreclosure or the acceptance of a deed to the Unit subject to the Mortgage held by such Mortgagee), shall signify that the provisions of this Declaration and the By-Laws, the rules and regulations of the Condominium and the decisions of the Executive Board are accepted and ratified by such Owner, tenant or occupant, and all of such provisions shall be deemed and taken to be covenants running with the land and shall bind any person having at any time any interest or estate in such Unit, as though such provisions were recited and stipulated at length in each and every deed or conveyance or lease thereof.

B. Compliance and Default. (1) Each Unit Owner shall be governed by and shall comply strictly with the terms, covenants, conditions and restrictions of this Declaration, By-Laws and the rules and regulations adopted pursuant thereto, and the same as they may be amended from time to time. The Executive Board shall have the power to adopt, amend and enforce compliance with such reasonable rules and regulations relative to the operation, use and occupancy of the Units and the Common Elements consistent with the provisions of this Declaration and the Act, including, but not limited to the appointment of such committees and the enactment and enforcement of such enforcement procedures and penalties for violations as the Executive Board shall deem appropriate. Any such rules and regulations shall be adopted or amended, from time to time, by means of appropriate resolutions duly approved by the Executive Board in accordance with the By-Laws. A copy of such rules and regulations and copies of any amendments thereto shall be delivered or mailed to each Owner or occupant of a Unit promptly after the adoption thereof. Failure of the Unit Owner to comply therewith shall entitle the Association or Unit Owners to the remedies provided in this Declaration and the Act, and also to the following relief, none of which remedies shall be exclusive of any other remedies: (1) Suits: Failure to comply with the terms of this Declaration, the By-Laws and the rules and regulations adopted pursuant thereto, as the same may be amended from time to time, shall entitle the Association or any aggrieved Unit Owner to sue for the recovery of damages or for injunctive relief, or both. Such relief shall not be exclusive of other remedies provided by law; (2) Costs and Attorney's Fees: In any proceeding arising because of an alleged failure of a Unit Owner to comply with the terms of the Condominium Documents and rules and regulations adopted pursuant thereto, as the same may be amended from time to time, the prevailing party shall be entitled to

recover the costs of the proceeding and reasonable attorney's fees; provided, however, that no attorney's fees may be recovered against the Executive Board in any such action unless the court shall first expressly find that the Executive Board acted in bad faith. (3) No Waiver of Rights: The failure of the Declarant, or the Executive Board, or any Unit Owner to enforce any covenant, restriction or other provision of the Act, the Condominium Documents or the rules and regulations adopted pursuant thereto, shall not constitute a waiver of the right to do so thereafter.

C. Appeal and Hearing Procedure; Actions by Owners. No Unit Owner shall have the right to object, challenge, commence any suit at law or in equity or take any other action under any act, power or authority now in force or hereafter to be enacted except after following such procedures as are established by the Executive Board by rule or regulation consistent with the provisions of this Paragraph. The Executive Board, or a committee as may be appointed by the Executive Board, shall hear appeals from Unit Owners or lessees of alleged violations of the Condominium Documents and rules and regulations of the Association. Unit Owners shall not have the right to appeal assessments for or collections of assessments for Common Expenses. The Executive Board or such committee shall hold a hearing on any such appeal within thirty (30) days after the receipt by the Executive Board of a formal notice of appeal from a Unit Owner or resident. A decision shall be issued in writing by the Executive Board within ten (10) days after the conclusion of the hearing. The Executive Board shall have the right to establish various rules and procedures governing the operation and administration of the appeal and hearing process and the enforcement of the Condominium Documents and rules and regulations. Unless the internal remedies provided by this Paragraph and such rules and regulations as may be promulgated by the Executive Board shall be expressly waived by the Association or the Association fails or refuses to act, no action at law or in equity shall be commenced by any Unit Owner or resident until such internal remedy is pursued to exhaustion. Any action by a Unit Owner against any other Unit Owner or resident arising out of any term, covenant or condition contained in the Condominium Documents or any rule or regulation made pursuant thereto shall be subject to the same procedures.

ARTICLE XIV: MORTGAGES OF UNITS; RIGHTS OF MORTGAGEES

A. Right to Mortgage. Each Unit Owner shall have the right to mortgage or encumber his own respective Unit together with the Allocated Interests appurtenant to such Unit. Except as otherwise permitted by Section 1603-112 of the Act and subject to this Declaration, no Unit Owner shall have the right or authority to mortgage or otherwise encumber in any manner whatsoever the Common Elements or any part thereof except his own Unit and his own respective Allocated Interests appurtenant to his Unit. A Unit Owner who mortgages his Unit shall notify the Executive Board in writing of the name and address of his Mortgagee(s) and shall file a conformed copy of the note and Mortgage with the Executive Board.

B. Mortgage Foreclosure. Any Mortgagee of a Unit holding a recorded first mortgage on a Unit that obtains title to the Unit pursuant to the remedies provided in the Mortgage, or through a completed foreclosure of the Mortgage, or through deed (or assignment) in lieu of foreclosure, shall take the Unit with the Allocated Interests appurtenant thereto free of such claims and liens for unpaid assessments

for Common Expenses, interest and costs levied against such Unit which accrue prior to the acquisition of title to such Unit by the Mortgagee, other than the proportionate share of the Common Expenses which become due and payable from and after the date on which the Mortgagee shall acquire title to the Unit through a completed foreclosure of deed (or assignment) in lieu of foreclosure.

C. Notices to Eligible Mortgage Holder. The Association shall send written notice by prepaid United States mail to each Eligible Mortgage Holder at the address identified pursuant to Article XVIII(C) of this Declaration of the following proposed actions either within a reasonable period prior to the taking of any of such proposed actions or at the time that notice thereof is given to Unit Owners unless another time is specified herein: (1) any condemnation loss or any casualty loss which affects a material portion of the Condominium or any Unit on which there is a first Mortgage held by such Eligible Mortgage Holder; (2) notice of any default or delinquency in the payment of assessments for Common Expenses or any other charges owed by an Owner of a Unit subject to a Mortgage held of record by such an Eligible Mortgage Holder, or any other default in the performance or payment by such an Owner of a Unit of any obligation under this Declaration, the By-Laws or any rules and regulations of the Association, which delinquency or other default continues for a period of sixty (60) days, to the Eligible Mortgage Holder of the Mortgage to which such Owner's Unit is subject; (3) any lapse, cancellation or material modification of any insurance policy or fidelity bond required to be maintained under the Declaration of By-Laws by the Association; (4) the proposed use of any proceeds of Property Insurance required to be obtained and maintained by the Association pursuant to Section 1603-113, subsection (a) of the Act, for purposes other than repair or restoration of the damaged property; (5) the adoption by the Executive Board of any proposed budget under Section 1603, subsection (c) of the Act, the date of the meeting of Unit Owners scheduled to consider ratification of such proposed budget, and a summary of the proposed budget; (6) any proposed action which would require the consent of a specified percentage of Eligible Mortgage Holders as specified in Paragraph E of this Article; (7) the termination of the Condominium pursuant to Section 1602-118 of the Act and this Declaration; (8) a change in the Allocated Interests appurtenant to any Unit, a change in the boundaries of a Unit, or the subdivision of a Unit; (9) the merger or consolidation of the Condominium with another condominium; or (10) the conveyance or subjection to a security interest of any portion of the Common Elements. Upon written request of any Eligible Mortgage Holder, the Association will provide an audited financial statement of the Association for the preceding fiscal year.

D, Mortgagee Approval Rights. For purposes of this Paragraph and the following subparagraphs, where approval by a stated percentage of Eligible Mortgage Holders such approval required shall be based upon one (1) vote for each Unit on which a mortgage is held. Any repair, replacement or restoration of the Condominium, after a partial condemnation or damage due to an insurable hazard, shall be performed as provided in this Declaration, unless other action is approved by at least fifty-one (51%) percent of Eligible Mortgage Holders. Any election to terminate the legal status of the Condominium pursuant to Section 1602-118 of the Act and this Declaration after substantial destruction or a substantial taking in condemnation of the Condominium Property shall require the approval of at least fifty-one (51%) percent of all Eligible Mortgage Holders. Any abandonment or termination of the legal status of the Condominium pursuant to Section 1602-118 of the Act by act

or omission for reasons other than said substantial destruction or taking shall require the prior written approval of at least fifty-one (51%) percent of Eligible Mortgage Holders of first Mortgages on Units. Any abandonment, partition, subdivision, encumbrance, sale or transfer of any of the Common Elements (except for granting easements for utilities or other public purposes consistent with the intended use of the Common Elements) by act or omission shall require the prior written approval of at least fifty-one (51%) percent of the Eligible Mortgage Holders. With respect to amendments to the Condominium Documents other than amendments to the Condominium Documents or termination of the Condominium made as a result of destruction, damage or condemnation as provided in this Article, the approval of at least fifty-one percent (51%) of the Eligible Mortgage Holders shall be necessary to terminate the Condominium as provided herein above.

The written consent or approval of at least fifty-one (51%) percent of the Eligible Mortgage Holders of Units affected by such amendments, shall be required to add or amend any material provisions of the Condominium Documents which establish, provide for, govern or regulate any of the following matters: (i) Voting; (ii) assessments, assessment liens or subordination of such liens; (iii) reserves for maintenance, repair and replacement of the Common Elements (or Units if applicable); (iv) insurance or fidelity bonds; (v) rights to use of the Common Elements; (vi) responsibility for maintenance and repair of the Common Elements of the Condominium; (vii) expansion or contraction of the Condominium or the addition, annexation or withdrawal of property to or from the Condominium; (viii) the interests in the Common Elements or Limited Common Elements; (ix) convertibility of Units into Common Elements or of Common Elements into Units; (x) leasing of Units; (xi) imposition of any restriction on a Unit Owner's right to sell, transfer, or otherwise convey his Unit; (xii) any proposed action described in Paragraph C(4), C(7), C(8), C(9) or C(10) of this Article; (xiii) a decision by the Association to establish self-management when professional management had previously been required by an Eligible Mortgagee; or (xiv) any provisions which are for the express benefit of Mortgages, Eligible Mortgage Holders or Eligible Insurers. An addition or amendment to the Condominium Documents shall not be considered material if it is for the purpose of correcting technical errors.

An Eligible Mortgage Holder who receives a written request to approve any additions or amendments which do not constitute either a material change to the Condominium Documents or any amendment described in the preceding paragraph hereto who does not deliver to the requesting party a negative response within thirty (30) days after the giving of notice shall be deemed to have approved such request in writing.

E. Voting and Other Rights of Eligible Mortgage Holders. In the event of any default by a Unit Owner in payment of assessments or performance of obligations pursuant to the Condominium Documents as more fully described in Paragraph C(2) of this Article, the Eligible Mortgage Holder of the Mortgage on such Owner's Unit shall have the right but not the obligation to cure such default. In addition to, but not by way of limitation of, all rights granted to Eligible Mortgage Holders pursuant to this Declaration to cast the votes allocated to a Unit in lieu of the Unit owner, any Eligible Mortgage Holder, or its representative, shall have the right to attend meetings of the Association and Executive Board for the purposes of discussing the matters described in Paragraphs C(4), C(5), C(7), C(8), C(9) and C(10). No provision of the Condominium Documents shall be deemed or construed to give a Unit Owner, or any other person, priority over the rights of any Eligible Mortgage Holder

pursuant to its Mortgage in the case of a distribution to Unit Owners of insurance proceeds or condemnation awards for losses to or a taking of Units, Common Elements, or both. Each Eligible Mortgage Holder shall be entitled to examine the financial records and books of account of the Association upon reasonable prior written notice to the Association and shall be entitled at the expense of the Eligible Mortgage Holder to an audited financial statement.

ARTICLE XV: AMENDMENT

Except in cases of amendments to this Declaration that may be unilaterally executed and recorded by the Association as described in Sections 1601-107, Eminent Domain, 1602-108(c), Allocation of Limited Common Elements, 1602-112(a), Reallocation of Boundaries Between Adjoining Units, 1602-113, Subdivision of Units and 1602-117(a), Amendment of Declaration, of the Act and except in cases of amendments to this Declaration by certain Unit Owners, as described in Sections 1602-108(b), Reallocation of Boundaries Between Adjoining Units, 1602-113(b), Subdivision of Units, or 1602-118(b), Termination of Condominium, of the Act, and except in cases of amendments to the Declaration that may be executed by the Declarant under Section 1602-109(f) Plats and Plans or under Section 1602-110, Exercise of Development Rights of the Act, and subject to the other provisions of this Declaration and of the Act, this Declaration, the Plats and Plans may be amended as follows:

A. Before Any Conveyance. Prior to the conveyance of any Unit by the Declarant to a Unit Owner other than as security for an obligation, the Declarant shall have the right to amend and re-amend this Declaration in any manner that the Declarant may deem appropriate.

B. After First Conveyance. After the first conveyance of a Unit by a Declarant, the terms of the following subparagraphs shall apply to the amendment of this Declaration:

(1) Notice. Notice of the subject matter of a proposed amendment shall be included in the notice of any meeting of the Executive Board in which a proposed amendment is considered, and shall be served upon all Unit Owners in the manner provided in Article XVII(A) for service of notices and upon Eligible Mortgage Holders in the manner identified in Article XVII(C).

(2) Resolution. An amendment may be proposed by either the Executive Board or by Unit Owners holding in the aggregate no less than twenty (20%) percent of the votes in the Association. No resolution of the Executive Board adopting a proposed amendment shall be effective unless it has been adopted at a meeting of the Association duly called and held in accordance with the By-Laws of the affirmative vote of at least sixty-seven (67%) percent in voting interest of the Unit Owners and then executed and recorded as provided in Paragraph B(5) of this Article.

(3) Agreement. In the alternative, an amendment may be made by an agreement signed by the record Owners of the Units to which at least sixty-seven (67%) percent of the votes in the Association are allocated in the manner required for the execution of a deed and acknowledged by at least one of them, and such amendment shall be effective when recorded.

(4) Certain Amendments. Notwithstanding the foregoing provisions or this Article, except as otherwise permitted by the Act and provided in this Declaration, no amendment may increase the number of Units or change the boundaries of any Unit, the Allocated Interests allocated to a Unit, or the uses to which any Unit is restricted without the unanimous consent of the Unit Owners and the consent of the Eligible Mortgage Holders representing or holding mortgages on Units having at least sixty-seven (67%) percent of the votes in the Association. No amendment of this Declaration shall make any change which would in any way affect any of the rights, privileges, powers and options of the Declarant, its successors or assigns, unless the Declarant, or its successors or assigns shall join in the execution of such amendment.

(5) Execution and Recording. A copy of each amendment shall be attached to or included with a certificate, certifying that the amendment was duly adopted, which certificate shall be executed and acknowledged by such officer or officers of the Association and/or member or members of the Executive Board designated for that purpose in the By-Laws. The amendment shall be effective when such certificate and copy of the amendment are recorded.

(6) Notice and Challenge. No action to challenge the validity of an amendment to this Declaration adopted by the Association pursuant to this Article may be brought more than one year after such amendment is recorded. After each amendment to this Declaration adopted pursuant to this Article has been recorded, notice thereof shall be sent to all Unit Owners and to all Eligible Mortgage Holders at the address last furnished to the Executive Board, but failure to send such notices shall not affect the validity of such amendment. The Association shall make copies of the Declaration and all amendments thereto available for inspection at reasonable times upon reasonable request for such inspection.

ARTICLE XVI: EASEMENTS AND LICENSES

A. Recorded Easements and Licenses. The recording data for previously existing recorded easements and licenses appurtenant to or included in the Condominium or by virtue of any reservation contained in this Declaration, are stated and set forth in Exhibit A hereto.

B. Utilities, Pipes and Conduits. Each Unit Owner shall have an easement in common with all other Unit Owners to use all pipes, wires, ducts, cables, conduits, public utility lines and other Common Elements serving his Unit and located in any of the other Units. Each Unit shall be subject to an easement in favor of all other Unit Owners to use the pipes, ducts, cables, wires, conduits, public utility lines and other Common Elements serving such other Units and located in such Unit.

C. Structural Support. Each Unit shall have an easement to the extent necessary for structural and subjacent support over every other Unit and over the Common Elements, and each Unit and the Common Elements shall be subject to an easement for structural and lateral support in favor of every other Unit.

D. Ingress, Egress and Regress. Each Unit Owner shall have an easement, subject to any rules and regulations established by the Executive Board, in common with all other Unit Owners to use the entrances, exits, corridors and other Common Elements as a means of ingress, egress and regress to and from the Property and the adjoining

public streets. The Executive Board shall not and cannot establish any rules and regulations depriving any Unit Owner of reasonable ingress, egress and regress to and from his Unit, the Property and Common Elements, and the adjoining public streets.

E. Encroachments. If any portion of the Common Elements or Limited Common Elements hereafter encroaches upon any Unit, or if any Unit hereafter encroaches upon any other Unit or upon any portion of the Common Elements or Limited Common Elements, as a result of settling or shifting of any Building or Buildings in which they are located or if the Building or Units are not constructed precisely in accordance with the dimension shown on the Plats and Plans or otherwise except as a result of the purposeful or negligent act of omission of the Owner of the encroaching Unit, or of the Association in the case of encroachments by the Common Elements or Limited Common Elements, a valid easement appurtenant to the encroaching Units, Common Elements or Limited Common Elements for the encroachment and for the maintenance of the same shall exist for so long as the encroachment shall exist. In the event that the Building shall be partially destroyed as a result of fire or other casualty or as a result of taking by the power of, or in the nature of, eminent domain or by an action or deed in lieu of condemnation, and then is rebuilt, encroachments of a portion or portions of the Common Elements or Limited Common Elements upon any Unit or of any Unit upon any other Unit or upon any portion of the Common Elements or Limited Common Elements, due to such rebuilding, shall be permitted, and valid easements appurtenant to the encroaching Units, Common Elements or Limited Common Elements for such encroachments and the maintenance thereof shall exist so long as the Building as so rebuilt shall stand.

F. Common Elements Easement in Favor of Unit Owners. The Common Elements (including, but not limited to, the Limited Common Elements) shall be and are hereby made subject to the following easements in favor of the Units benefited: (1) for the installation, repair, maintenance, use, removal and/or replacement or lighting fixtures, electrical receptacles, panel boards and other electrical installations which are Common Elements adjacent to such Unit; provided that the installation, repair, maintenance, use, removal or replacement of any such item does not unreasonably interfere with the common use of any part of the Common Elements, adversely affect either the thermal or acoustical character of the Building or impair or structurally weaken the Building; (2) for driving and removing nails, screws, bolts and other attachment devices into the Unit side surface of the stone, block, brick or other masonry walls bounding the Unit and the Unit side surface of the studs which support the dry wall or plaster perimeter walls bounding the Unit, the bottom surface of floor joists above the Unit to the extent such nails, screws, bolts and other attachment devices may encroach into a part of a Common Elements adjacent to such Unit; provided that any such action will not unreasonably interfere with the common use of any part of the Common Elements, adversely affect either the thermal or acoustical character of the Building or impair or structurally weaken the Building; and (3) for the maintenance of the encroachment of any lighting devices, outlets, exhaust fans, ventilation ducts, registers, grilles and similar fixtures which serve only one Unit but which encroach into any part of any Common Elements or Limited Common Elements on the date this Declaration is recorded or was thereafter installed by Declarant during the Declarant Control Period or within two (2) years after the termination thereof.

G. Association's Rights. The Association shall have a reasonable

right of entry upon any Unit to make emergency repairs and to do other work reasonably necessary for the proper maintenance or operation of the Condominium. The Association shall have the right to grant permits, licenses and easements over the Common Elements for utilities, ways and other purposes reasonably necessary or useful for the proper maintenance or operation of the Condominium. The Association has a right of access to each Unit for the purpose of making inspections or for the purpose of correcting any condition originating in his Unit or elsewhere and threatening another Unit or a Common Element, or for the purpose of performing installations, alterations or repairs to the mechanical or electrical services, other Common Elements or units, provided that requests for entry are made in advance and that any such entry is at a time reasonably convenient to the Unit Owner, and provided further that judicial proceedings shall be instituted by the Association before any items of construction can be altered or demolished. In case of an emergency, such right of entry shall be immediate, whether the Unit Owner is present at the time or not.

H. Special Declarant Rights. Declarant, its successors and assigns have the easements specific in the Article of this Declaration entitled Special Declarant Rights.

ARTICLE XVII: NOTICES TO UNIT OWNERS BY ASSOCIATION

A. To Unit Owners. All notices, demands, bills, statements or other communications affecting the Condominium shall be given to Unit Owners by the Association in writing and shall be deemed to have been duly given if delivered personally or sent by United States mail, postage prepaid, or if such notification is or a default or lien, sent by registered or certified United States mail, return receipt requested, postage prepaid, addressed to the Unit Owner at the address which the Unit Owner shall designate in writing and file with the Secretary of the Association, or if no such address is so designated, the address of the Unit of such Unit Owner who is the record owner thereof.

B. To the Association. All notices, demands, statements or other communications affecting the Condominium given by the Association shall be in writing and shall be deemed to have been duly given to the Association if delivered personally or sent by United States mail, postage prepaid, return receipt requested, addressed to the Association at the principal office of the managing agent, or if there shall be no managing agent, then to the Secretary of the Association at the address of the Unit of which the Secretary is the record Unit Owner thereof.

C. Eligible Mortgage Holder. All notices, demands, statements or other communications affecting the Condominium given by the Association to any Eligible Mortgage Holder shall be in writing and shall be deemed to have been duly given by the Association if delivered personally or sent by United States mail, postage prepaid, addressed to the Eligible Mortgage Holder at the address identified pursuant to this Declaration.

ARTICLE XVIII: TAXATION

A. Separate Taxation. If there is any Unit Owner other than the Declarant, each Unit and its Allocated Interests shall be deemed to be a separate tax parcel and shall be separately taxed and assessed by the Town of Old Orchard Beach. Except to any extent required by law, neither

the Building, the Property nor any of the Common Elements shall be deemed to be or assessed as a separate tax parcel.

B. Units Not Yet Separately Assessed. In the event that for any year real estate taxes assessed by the Town of Old Orchard Beach are not separately taxed and assessed to each separate Unit Owner but are taxed on the Property as a whole, then each Unit Owner shall pay his proportionate share thereof in accordance with his respective Common Element Liability.

ARTICLE XIX: TERMINATION OF CONDOMINIUM

The Condominium shall not be terminated except as provided in and subject to Section 1602-118 of the Act and by agreement of Unit Owners of Units to which at least eighty (80%) percent of the votes in the Association are allocated and of Eligible Mortgage Holders holding of record Mortgages on Units to which are allocated those percentages of the votes in the Association.

ARTICLE XX: MISCELLANEOUS

A. Interpretation; Conflict. In the event of any conflict or discrepancy between this Declaration, the Bylaws and the Plats and Plans, this Declaration shall govern. If any provision of this Declaration, the By-Laws or the rules and regulations, or any section, sentence, clause, phrase, or word therein, or the application thereof in any circumstances be judicially held in conflict with any applicable laws, including, but not limited to, the Condominium Act, then the laws shall be deemed controlling; but the validity of the remainder of this Declaration, the By-Laws and rules and regulations, and the application of any such provision, section, clause, phrase, or word in other circumstances shall not be affected thereby and all of the other provisions of this Declaration shall continue in full force and effect as if such invalid provision had never been included herein. The captions herein are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope of this Declaration or the intent of any provisions hereof. The use of the singular number in this Declaration shall be deemed to include the plural, and the use of any one gender shall be deemed applicable to all genders. No provision contained in this Declaration shall be deemed to have been abrogated or waived by reason of any failure to enforce the same irrespective of the number of violations or breaches which may occur. Any dispute or disagreement between Unit Owners with respect to interpretation or application of this Declaration or the By-Laws or rules and regulations shall be determined by the Board of Directors, which determination shall be final and binding on all parties.

B. Remedies Cumulative. All rights, remedies and privileges granted to the Executive Board or a Unit Owner pursuant to any terms, provisions, covenants or conditions of the Condominium Documents shall be deemed to be cumulative, and the exercise of any one or more shall not be deemed to constitute an election of remedies nor shall it preclude the party thus exercising the same from exercising such other and additional rights, remedies, or, privileges as may be granted to such party hereunder or by any instruments or documents incorporated herein by reference or at law or in equity.

C. Arbitration. In any dispute between one or more Unit Owners and the Declarant regarding the Common Elements, the Executive Board shall

act for the Unit Owners, and any agreement with respect thereto by the Board shall be conclusive and binding upon the Unit Owners. Any dispute or disagreement between Unit Owners other than Declarant with respect to the interpretation or application of this Declaration or the Articles of Incorporation, the By-laws or rules and regulations of the Association shall be determined by the Executive Board, which determination shall be final and binding on all parties subject to a disputant's right to appeal the decision by seeking arbitration following the procedures set forth hereinbelow.

All claims, disputes and other matters in question between the Declarant, on the one hand, and the Association or any Unit Owners on the other hand, arising out of or relating to, this Declaration, the By-Laws, or the deed to any Unit or the breach thereof, except for claims which have been waived by the acceptance of a deed, shall be decided by arbitration in accordance with the Construction Industry Arbitration Rules of the American Arbitration Association then obtaining unless the parties mutually agree otherwise. This agreement to arbitrate shall be specifically enforceable under the prevailing arbitration law. The award rendered by the arbitrators shall be final, and judgment may be entered upon it in accordance with applicable law in any court having jurisdiction thereof. Notice of the demand for arbitration shall be filed in writing with the other parties and with the American Arbitration Association. The demand for arbitration shall be made within a reasonable time after the claim, dispute or other matter in question has arisen, and in no event shall it be made after the date when institution of legal or equitable proceedings based on such claim, dispute or other matter in question would be barred by the applicable statute of limitations or other principals of law and equity.

IN WITNESS WHEREOF, Surfside Corporation, a Maine corporation by its President, hereunto duly authorized, has executed and delivered this Declaration as of the date first above written.

Signed, Sealed and
Delivered in the
Presence of:

SURFSIDE CORPORATION

Ronald A. Estes

By John H. Leasure
Its President

STATE OF MAINE
YORK, SS.

Personally appeared the above-named John H. Leasure this 16th day of July, 1984 and acknowledged the foregoing instrument to be his free act and deed in said capacity and the free act and deed of said corporation.

Ronald A. Estes

Notary Public/Attorney-at-law

LIMITED JOINDER AGREEMENT OF MORTGAGEES

The undersigned (herein called the "Mortgagees"), as holders of

and Mortgagees under Mortgages (herein collectively called the "Mortgages") granted by Surfside Corporation herein called "Declarant", to Fernand Cloutier dated May 11, 1984, recorded in the York County Registry of Deeds in Book 3288, Page 324, granted to Frank Adam, Richard How, William DiBiase and Robert Hendricks dated May 11, 1984 and recorded in said Registry Book 3288, Page 330, and granted to Heritage Savings Bank dated July 16, 1984, and recorded in said Registry, and granted to John H. Leasure, dated July 16, 1984 and recorded in said Registry, hereby join with Declarant in submitting the land and the buildings and rights appurtenant thereto described in this Declaration and being subject to the lien of said Mortgages, to the provisions of the Maine Condominium Act, 33 M.R.S.A. Chapter 31, Sections 1601-101, et seq. for the sole and limited purposes of evidencing their respective consent as Mortgage Holders to such submission and to the creation and granting of those easements, uses, rights and privileges described in this Declaration of Condominium, PROVIDED, that such joinder and consent shall not be construed to make said Mortgagees, their respective heirs, successors and assigns, as Mortgagees, the Declarant or to impose on it any of the obligations or liabilities of the Declarant under this Declaration, including, without limitation, any obligation or liability of any kind to any purchaser(s) of any Condominium Unit(s), and said Mortgagees make no warranties or covenants to any person or party as to title, merchantability, fitness for any particular purpose, physical condition or otherwise as to the Condominium property, express or implied.

The undersigned hereby agree that said liens under the aforesaid Mortgages as to the property described in this Declaration shall be subject to the provisions of said Maine Condominium Act, Title 33, Chapter 31, Section 1601-101, et seq. of the Maine Revised Statutes of 1964, as amended, and that in the exercise of their respective rights as Mortgagees under the aforesaid Mortgages, the undersigned will recognize the establishment of a Condominium by this Declaration of Condominium.