

PUBLIC OFFERING STATEMENT

**KNOX MILL EAST, A CONDOMINIUM
CAMDEN, MAINE**

Effective as of December 6, 2010

**PUBLIC OFFERING STATEMENT
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CAMDEN, MAINE**

TABLE OF CONTENTS

I. DESCRIPTION OF THE CONDOMINIUM

II. DESCRIPTION OF THE SIGNIFICANT FEATURES OF THE

A. THE DECLARATION

B. BYLAWS

C. THE RULES AND REGULATIONS

D. THE MASTER DECLARATION

**III. CONTRACTS OR LEASES THAT WILL OR MAY BE SUBJECT TO
CANCELLATION BY THE ASSOCIATION**

IV. BUDGET AND FINANCIAL MATTERS

V. INITIAL OR SPECIAL FEES DUE FROM THE PURCHASER AT CLOSING

**VI. LIENS, DEFECTS AND ENCUMBRANCES AND ENVIRONMENTAL MATTERS
AFFECTING THE TITLE TO THE CONDOMINIUM**

VII. FINANCING OFFERED OR ARRANGED BY THE DECLARANT

VIII. WARRANTIES

**IX. LEGAL ACTIONS MATERIAL TO THE CONDOMINIUM OR THE
CONDOMINIUM ASSOCIATION**

X. ESCROW OF DEPOSITS

**XI. RESTRAINTS ON ALIENATION AND LEASING: ALIENATION OF
COMMON ELEMENTS**

XII. INSURANCE

**XIII. CURRENT AND EXPECTED FEES; FINANCIAL ARRANGEMENTS FOR
IMPROVEMENTS; BUILDING CONDITION**

**XIV. ZONING AND LAND USE REQUIREMENTS AFFECTING THE
CONDOMINIUM**

**XV. DEVELOPMENT RIGHTS AND SPECIAL DECLARANT RIGHTS RESERVED
BY THE DECLARANT**

XVI. THE UNIT OWNERS ASSOCIATION

XVII. BUILDING CONVERSIONS

XVIII. ADJACENT LAND OF DECLARANT

LIST OF SCHEDULES

SCHEDULE A DECLARATION AND AMENDMENTS

SCHEDULE B BYLAWS

SCHEDULE C RULES AND REGULATIONS

SCHEDULE D BUDGET

SCHEDULE E LIMITED WARRANTY CERTIFICATE

SCHEDULE F STATUTORY WARRANTIES

SCHEDULE G MASTER DECLARATION

SCHEDULE H PLATS AND PLANS

**SCHEDULE I VRAP LETTER AND DECLARATION OF ENVIRONMENTAL
COVENANT**

**KNOX MILL EAST, A CONDOMINIUM
A CONDOMINIUM PUBLIC OFFERING STATEMENT**

(Pursuant to Title 33, Chapter 31 of the
Maine Revised Statutes Annotated)

NAME OF CONDOMINIUM: Knox Mill East, a Condominium

PRINCIPAL ADDRESS OF
CONDOMINIUM: 34 Washington Street
Camden, ME 04843

NAME AND PRINCIPAL
ADDRESS OF SUCCESSOR TO
DECLARANT: Kelm Acquisition, LLC
P.O. Box 819
Camden, ME 04843

EFFECTIVE DATE OF
PUBLIC OFFERING
STATEMENT: As of December 6, 2010

IMPORTANT NOTICE

THE FOLLOWING STATEMENTS ARE MADE IN COMPLIANCE WITH THE REQUIREMENTS OF SECTIONS 1604-101 THROUGH 1604-107 OF THE MAINE CONDOMINIUM ACT (THE "ACT").

UNLESS A PURCHASER HAS RECEIVED AND REVIEWED A COPY OF THIS PUBLIC OFFERING STATEMENT PRIOR TO THE EXECUTION OF A CONTRACT FOR SALE OF A UNIT AT KNOX MILL EAST, A PURCHASER, BEFORE CONVEYANCE OF A UNIT, MAY CANCEL ANY CONTRACT FOR SALE OF A UNIT. IF A PURCHASER ACCEPTS THE CONVEYANCE OF A UNIT, THE PURCHASER MAY NOT CANCEL THE CONTRACT.

IF THE PURCHASER ELECTS TO CANCEL THE CONTRACT FOR SALE OF A UNIT PURSUANT TO THE IMMEDIATELY PRECEDING PARAGRAPH, HE OR SHE MAY DO SO BY HAND DELIVERING NOTICE OF CANCELLATION TO THE DECLARANT (IN WHICH CASE A RECEIPT SHOULD BE OBTAINED) OR BY MAILING THE NOTICE TO THE DECLARANT BY POSTAGE PREPAID UNITED STATES MAIL (IN WHICH CASE RETURN RECEIPT REQUESTED IS ADVISED). THIS CANCELLATION OF THE CONTRACT FOR SALE OF A UNIT IS WITHOUT PENALTY AND ALL PAYMENTS MADE BY THE PURCHASER BEFORE THIS CANCELLATION WILL BE REFUNDED PROMPTLY BY THE DECLARANT.

IF THE DECLARANT FAILS TO PROVIDE A PUBLIC OFFERING STATEMENT (AND ALL MATERIAL AMENDMENTS THERETO) TO A PURCHASER BEFORE CONVEYING A UNIT, THAT PURCHASER MAY HAVE A CLAIM FOR

APPROPRIATE RELIEF UNDER SECTION 1604-116 OF THE ACT.

I. DESCRIPTION OF THE CONDOMINIUM

Knox Mill East, a Condominium (the "Condominium") is located in Camden, Maine and is formed pursuant to a Declaration of Condominium dated May 31, 2007 and recorded in the Knox County Registry of Deeds in Book 3804, Page 32, as amended by the First Amendment to Declaration of Condominium dated August 30, 2007 and recorded in said Registry of Deeds in Book 3850, Page 326; by the Second Amendment to Declaration of Condominium dated November 27, 2007 and recorded in said Registry of Deeds in Book 3888, Page 126; by the Third Amendment to Declaration of Condominium dated March 31, 2008 and recorded in said Registry of Deeds in Book 3937, Page 158; and by the Fourth Amendment to Declaration of Condominium dated May 30, 2008 and recorded in said Registry of Deeds in Book 3962, Page 51; and by the Fifth Amendment of Declaration of Condominium dated November 18, 2010 and recorded in said Registry of Deeds in Book 4312, Page 322 (said Declaration and all amendments thereto referred to herein as "Declaration"). Copies of the Declaration and all amendments are attached hereto as **Schedule A**.

The initial declarant of the Condominium was Knox Mill Properties, LLC and four (4) residential units (#212, #303, #305 and #311) were conveyed to purchasers by Knox Mill Properties, LLC. Subsequently, Commercial Units #C101, #C102 and #C214 and all Special Declarant Rights and Development Rights and easements of Knox Mill Properties LLC were conveyed by Gray & Associates LLC as Receiver for Knox Mill Properties, LLC, to Kelm Acquisition LLC by a deed dated October 1, 2010 and recorded in the Knox County Registry of Deeds in Book 4296, Page 174. References in this Public Offering Statement to "Declarant" refer to Knox Mill Properties, LLC or Kelm Acquisition LLC, as successor to Knox Mill Properties, LLC, as applicable.

The Condominium includes approximately 2 acres. The Condominium Plat and Condominium Floor Plans, as amended, all prepared by Gartley & Dorsky Engineering & Surveying were recorded in said Registry of Deeds as follows:

- (a) "Condominium Plat" dated May 25, 2007 and recorded in said Registry of Deeds in Plan Cabinet 18, Sheet 174;
- (b) "Condominium Floor Plans, First Floor Plan" dated May 30, 2007 and recorded in said Registry of Deeds in Plan Cabinet 18, Sheet 175;
- (c) "Condominium Floor Plans, Second Floor Plan" dated May 30, 2007 and recorded in said Registry of Deeds in Plan Cabinet 18, Sheet 176;
- (d) "Condominium Floor Plans, Third Floor Plan (First Amendment to Declaration)" dated August 30, 2007 and recorded in said Registry of Deeds in Plan Cabinet 19, Sheet 40;
- (e) "Condominium Floor Plans, Roof Plan (First Amendment to Declaration)" dated August 30, 2007 and recorded in said Registry of Deeds in Plan Cabinet 19, Sheet 38;

- (f) “Condominium Floor Plans, Parking Garage Plan (First Amendment to Declaration)” dated August 30, 2007 and recorded in said Registry of Deeds in Plan Cabinet 19, Sheet 39;
- (g) “Condominium Floor Plan, Unit #305” dated August 30, 2007 and recorded in said Registry of Deeds in Plan Cabinet 19, Sheet 37;
- (h) “Condominium Floor Plan, Unit #212” dated November 20, 2007 and recorded in said Registry of Deeds in Plan Cabinet 19, Sheet 110;
- (i) “Condominium Floor Plans, Parking Garage Plan (Second Amendment to Declaration)” dated November 20, 2007 and recorded in said Registry of Deeds in Plan Cabinet 19, Sheet 111;
- (j) “Condominium Floor Plans, Second Floor Plan (Second Amendment to Declaration)” dated November 20, 2007 and recorded in said Registry of Deeds in Plan Cabinet 19, Sheet 112;
- (k) “Condominium Floor Plans, First Floor (Third Amendment to Declaration)” dated March 27, 2008 and recorded in said Registry of Deeds in Plan Cabinet 19, Sheet 153;
- (l) “Condominium Floor Plans, Second Floor (Third Amendment to Declaration)” dated March 27, 2008 and recorded in said Registry of Deeds in Plan Cabinet 19, Sheet 154;
- (m) “Condominium Floor Plans, Unit C 214” dated March 26, 2008 and recorded in said Registry of Deeds in Plan Cabinet 19, Sheet 155;
- (n) ‘Condominium Floor Plans, Unit C 102’ dated March 27, 2008 and recorded in said Registry of Deeds in Plan Cabinet 19, Sheet 156;
- (o) ‘Condominium Floor Plans, Unit 303’ dated May 29, 2008 and recorded in said Registry of Deeds in Plan Cabinet 19, Sheet 171;
- (p) “Condominium Floor Plans for Third Floor Plan” dated 29, 2008 and recorded in said Registry of Deeds in Plan Cabinet 19, Sheet 172;
- (q) “Condominium Floor Plans, Roof Plan” dated May 29, 2008 and recorded in said Registry of Deeds in Plan Cabinet 19, Sheet 173 and amended by plan dated May 29, 2008 and recorded in said Registry of Deeds in Plan Cabinet 19, Sheet 175;
- (r) “Condominium Floor Plans, Parking Garage Plan dated May 29, 2008 and recorded in said Registry of Deeds in Plan Cabinet 19, Sheet 174;
- (s) “Condominium Floor Plans, Roof Plan” dated November 17, 2010 and recorded in said Registry of Deeds in Plan Cabinet 21, Sheet 87;
- (t) “Condominium Floor Plans for Third Floor Plan” dated November 17, 2010 and recorded in said Registry of Deeds in Plan Cabinet 21, Sheet 86;
- (u) “Condominium Floor Plans for Second Floor Plan” dated November 17, 2010 and recorded in said Registry of Deeds in Plan Cabinet 21, Sheet 85;

- (v) "Condominium Floor Plans for First Floor Plan" dated November 17, 2010 and recorded in said Registry of Deeds in Plan Cabinet 21, Sheet 84;
- (w) "Condominium Floor Plans for Parking Garage Plan" dated November 17, 2010 and recorded in said Registry of Deeds in Plan Cabinet 21, Sheet 88;
- (x) Individual Condominium Floor Plans for Units #201, #202, #203, #204, #205, #206, #207, #208, #209, #210, #211, #213, #301, #302, #304, #306, #307, #308, #309, #310, #312, #313, #314, #315, #316 dated November 17, 2010 and recorded in said Registry of Deeds in Plan Cabinet 21, Sheets 89 through 114.

The Condominium may contain up to 35 condominium Units, 30 Residential Units and 5 Commercial Units. The Declarant has declared 3 Commercial Units and 30 Residential Units. The floor plan and square footage of each Unit will vary. Declarant has reserved the right to change the number, design and configuration of the Units, including the right to increase or decrease the square footage and change the designs.

"Common Elements" shall mean that portion of the Condominium that is not a Unit as well as those portions of the Condominium identified and designated as Common Elements in the Declaration or in the Plats and Plans. Without limiting the foregoing, Common Elements shall include all roadways within the Condominium, from time to time, parking and storage areas; public utility lines; foundations; roofs; outside walls; stairways and hallways serving more than one Unit; elevators; pipes; ducts; electrical wiring; conduits; floors and ceilings (other than the interior surfaces thereof located within the Units and nonload bearing loft floors located within the units); perimeter walls of the Units (other than the interior surfaces thereof); structural parts of the Units; structural columns; girders; beams; and supports. Limited Common Elements shall mean those portions of the Common Elements of the Property identified and designated as Limited Common Elements on the Plats and Plans. Limited Common Elements shall include, but not be limited to, any portion of the electrical, heating, plumbing or other Unit systems or fixtures that serve more than one unit but shall not include shutters; awnings; window boxes; access stairways; doorsteps; stoops; exterior doorways; windows serving a unit, each of which are part of the Unit served by such item. The location of Units, the General Common Elements and the Limited Common Elements are shown on the Condominium Plats and Plans, reduced copies of which are included as **Schedule H**, as the same may be amended from time to time. Limited Common Elements serving only the Commercial Units shall be Commercial Limited Common Elements. Limited Common Elements serving only the Residential Units shall be Residential Limited Common Elements.

In addition to owning a Unit, each individual Unit Owner owns a specified undivided interest in the Common Elements. This is referred to as the Owner's "Percentage Interest." The current identifying numbers, common element interests and number of votes appurtenant to each Unit are described in Exhibit B (Fifth Amendment) attached to the Fifth Amendment to Condominium Declaration attached hereto as part of **Schedule A**. The ownership of this Percentage Interest gives each Unit Owner the right, subject to the terms of the Act, the Declaration, the Bylaws and the Plats and Plans, to use and participate in the control of the Common Elements (through membership in the Condominium Association). Ownership of a Unit and a Percentage Interest in the Common Elements obligates each Unit Owner to pay such Owner's share of the expenses of

operating and maintaining the Common Elements (the "Common Expenses"). Each Unit Owner will pay a part of the Common Expenses in accordance with the sharing formulas set forth in the Declaration. A Unit Owner will be personally liable for all lawful assessments levied against such Unit Owner that become due while such Owner is the Unit Owner. In addition, Common Expenses assessed against the Unit Owner will give rise to a lien on the Owner's Unit, which lien, if unsatisfied, may be enforced by foreclosure or other legal remedies.

The Condominium is subject to all the terms and conditions of the Project Permits, and the Association shall be responsible for ensuring compliance with the Project Permits. The Condominium is subject to and benefits from that certain Master Declaration of Easements, Covenants and Restrictions dated May 31, 2007 and recorded in the Knox County Registry of Deeds in Book 3804, Page 16 (the "Master Declaration"). A copy of the Master Declaration is attached hereto as **Schedule G**. Among other things, the Master Declaration provides for the shared maintenance of the spillway and mill pond within the Megunticook River located adjacent to the Condominium. The Master Declaration also provides for easements benefiting and burdening the Condominium. The Master Declaration imposes financial obligations upon the Condominium and its Unit Owners with respect to maintenance and repairs. The Master Declaration creates an association. The association created by the Master Declaration is not a "master association" as that term is defined in Section 1602-120 of the Act.

II. DESCRIPTION OF THE SIGNIFICANT FEATURES OF THE DECLARATION, BYLAWS AND RULES AND REGULATIONS.

A. THE DECLARATION.

The Condominium was created by the Declarant recording the Declaration and the Condominium Plats and Plans in the Knox County Registry of Deeds. A copy of the Declaration and all related amendments are attached to this Statement as **Schedule A**.

Article 1 of the Declaration provides for the submission of the property described in Exhibit A to the Declaration as a Condominium under the Condominium Act. Article 1 states that the maximum number of Units that may be included in the Condominium is thirty five (35), thirty (30) residential and five (5) commercial. The Declaration, as amended, creates a total of 33 Units, 3 Commercial Units and 30 Residential Units.

Article 2 of the Declaration contains the definition of certain terms used in the Condominium Documents. Article 2 also incorporates the provisions of the Act and states that its provisions apply to the operation and governance of the Condominium except (where permitted by the Act) to the extent that contrary provisions are found in the Condominium Documents.

Article 3 of the Declaration describe the boundaries of the Units and describe the Limited Common Elements. Article 3 also describes the maintenance responsibilities for the Units and the Common Elements. Attached to the Declaration as Exhibit C is a Maintenance Chart that designates the responsibility for maintenance of various parts of the Condominium. If any Unit Owner fails to perform any such work as required then the Association has the right, but not the obligation, to do so and to charge the cost to the Unit Owner.

As more particularly described in Exhibit C to the Declaration and in the Declaration,

the Association is responsible for exterior and structural maintenance of the Building containing the Units and for the maintenance of all other Common Elements, including Limited Common Elements, whether located inside or outside of the Units. Unless, in the opinion of the Executive Board, an expense was necessitated by the negligence, misuse or neglect of a Unit Owner, the cost of the maintenance, repair and replacement of the Common Elements or Limited Common Elements will be charged to the Unit Owners as a Common Expense. Specifically, the cost of Building Exterior Maintenance, as defined in the Declaration, will be allocated among the Owners of the Units in accordance with their Percentage Interest, unless, in the opinion of the Executive Board, an expense was necessitated by the negligence, misuse or neglect of a particular Unit Owner in which event the expense will be charged to that Unit Owner. Each Unit Owner is required to maintain the Owner's Unit and its equipment, appliances and appurtenances in good order, condition and repair and to do all redecorating, painting and varnishing which may be necessary from time to time to maintain the good appearance and condition of the Unit. The Association is responsible for the repair or replacement of all damaged or broken windows wherever located on the Property. The cost of repair or replacement of damaged or broken windows will be assessed to the owners of the Units containing the windows. The Unit Owner is responsible for maintenance of the interior surface of windows in the Unit, including periodic washing. Each Unit Owner is liable, and the Association has a lien against his Unit for, the expense of maintenance, repair or replacement of any damage to the Common Elements including Limited Common Elements of another Unit caused by such Unit Owner's act, neglect or carelessness or by that of any person for whom the Unit Owner is responsible, or their pets, which the Association shall have the right to cure, correct, maintain, repair or replace.

Article 4 of the Declaration describes certain Common Elements and Limited Common Elements of the Condominium. Common Elements are those portions of the Property that are not a Unit. Any portion of the electrical, heating, plumbing or other Building systems or fixtures that serve more than one Unit are Limited Common Elements. Limited Common Elements do not include shutters, awnings, window boxes, access stairways, doorsteps, stoops, exterior doorways, windows and bulkheads, if any, each of which are part of the Unit served by such item. Any area of the Property not shown on the Plats and Plans or described in this Declaration as a Unit or a Limited Common Element is a General Common Element. All roads are General Common Elements and shall remain private roads. Article 4 addresses the maintenance and repair of all decks, including Roof Decks, and sets forth the conditions under which a Roof Deck may be constructed for Units #303, #305, #311, #315 and #317.

Article 5 of the Declaration establishes the Percentage Interests of the Units in the Common Elements, the Common Expense liability and the voting rights of Unit Owners. The Percentage Interest of each Unit is set forth in Exhibit B (Fifth Amendment) to the Declaration, as amended by its Fifth Amendment, and is subject to change from time to time as Units are added to the Condominium. The Percentage Interest appurtenant to each Unit is determined based on the square footage of each Unit allocated among the total number of Units created from time to time. The Percentage Interest allocated to each Unit will determine that Unit's appurtenant ownership interest in the Common Elements. Common Expenses shall be allocated in accordance with Percentage Interest set forth on Exhibit B (Fifth Amendment) to the

Declaration. Each Unit shall be allocated a proportionate number of votes based on its Percentage Interest for the purposes of determining the Condominium's affairs.

Article 6 lists the various easements to which the Condominium or certain portions of the Condominium are subject to or have the benefit of. It also reserves to the Declarant the right to maintain models, signs and management offices, sales offices for this and other projects, or customer services offices on the Condominium. The Declarant further reserves the right to restrict the use of certain Common Elements for sales purposes as well as to use such areas for sales purposes and to erect temporary offices on Common Elements for models, sales, management, customer services and similar purposes. The Declarant further reserves an easement for the development, improvement and maintenance of the Property, including without limitation, the right to use all roads and driveways on the Property from time to time. The Declarant retains the right to grant such rights and easements to third parties if reasonably determined by Declarant to be necessary or desirable for the development, improvement, use, operation or maintenance of the Property.

Article 7 of the Declaration imposes various restrictions on the use of the Units and various other portions of the Condominium, examples of which follow. Except as permitted by Article 15 of the Declaration, all Residential Units are restricted to use for single-family residential purposes exclusively and no business or business activity; provided, however, that a home office shall be permitted, subject to the limitations set forth in Section 7.1.(a) of the Declaration. Any construction on the Common Elements or the Units, other than by the Declarant, requires the consent of the Executive Board. No structure of temporary character may be erected at any time, except in connection with the construction or improvement of a Unit by the Declarant. Parking of any boat, boat trailer, snowmobile trailer, other trailer, camper, truck, van motorcycle or recreational vehicle (as reasonably determined by the Executive Board) on any portion of the Property is prohibited. Temporary parking by an Owner on a private street for a period of more than 48 hours is prohibited. No animals other than common household pets are allowed upon the Property. Leases of Units are permitted. All leases must be in writing and must be for a minimum term of six (6) months; provided, however not more than nine (9) times in a calendar year, a Lease term shall be permitted that is less than six (6) months, but in no event shall the term be less than two (2) weeks. Owners are prohibited from cutting any trees or other vegetation.

Article 8 sets forth the rights of lenders who provide mortgage financing to purchasers of Units in the Condominium. There are no restrictions on the type of mortgage financing. Under the provisions of Article 8, certain mortgagees are entitled to receive certain notices and are given certain rights.

Article 9 of the Declaration outlines the type and amounts of insurance that the Association is required to obtain and the various provisions governing such insurance (for more information regarding insurance see Article XII of this Public Offering Statement).

Article 10 of the Declaration provides for a limitation on the liability of the members, officers and employees of the Executive Board and provides for the indemnification of members of the Executive Board against all expenses and liabilities that they may incur in the performance of their duties, except in circumstances involving gross negligence or willful

misconduct. Other sections in Article 10 provide for the defense of claims against the Association, the joint and several liability of a Unit Owner with all other tenants of that Unit, a disclaimer of bailee liability of the Association and the members of the Executive Board and of any Unit Owner for personal property stored on the Common Elements and sets forth liability for failure to comply with the provisions of the Condominium Documents.

Article 11 of the Declaration provides that all present and future owners, lessees, occupants and mortgagees of Units in the Condominium are subject to the Condominium Documents and provides for a procedure to be followed in the event of condemnation of all or part of the Common Elements.

Article 12 of the Declaration describes the makeup of the Executive Board of the Association. The Executive Board will consist of three members selected by Unit Owners at the annual meeting of the Association. Initially, the Executive Board will be composed of three members approved by the Declarant. This Article provides for the transition from the Declarant-appointed Executive Board to an Executive Board controlled by the Unit Owners. (For more information regarding this transition see Article XVI of this Public Offering Statement). Article 12 also grants to the Executive Board and any aggrieved Unit Owner the power to abate or enjoin any violations of the Act or the Condominium Documents by Unit Owners, tenants of Unit Owners or the Association. Article 12 also permits a Unit Owner to challenge an interpretation of the Condominium Documents through binding arbitration.

Article 13 of the Declaration permits the Association to employ a managing agent to oversee the daily operation of the Condominium.

Article 14 deals with the liability of Unit Owners to pay all Common Expense assessments allocated to their Units and provides for the procedures to be followed to fix assessments and collect assessments in the event that the Unit Owner fails to pay them. A chart setting forth the major components of the Common Expense assignments and the procedure for allocating the assessments against the two types of Units is attached hereto as **Schedule D**.

Article 15 reserves to the Declarant certain rights with respect to the Property and describes what those rights are, examples of which follow. The Declarant reserves the right to create future Units, to subdivide Units, to convert Units to Common Elements, to modify the design of any unsold Unit, to withdraw roads from the Condominium and make them public and the right to extend current or create new roads.

Article 16 provides that the Declarant may assign the rights that it has reserved to others.

Article 17 outlines the procedure for amendment of the Declaration. During the period of Declarant control, Declarant may unilaterally execute amendments to the Declaration. Additionally, with certain exceptions, the Declaration may be amended by vote or agreement of Commercial Owners representing at least 67% of the votes of Commercial Owners and Residential Owners representing at least 67% of the votes of Residential Owners. In certain cases, amendments to the Declaration must be approved by mortgagees of Units representing at least fifty-one percent (51%) of the votes of Units that are subject to

mortgage.

Article 18 provides the procedure for termination of the Condominium. The Condominium may be terminated only by agreement of 80% of the Commercial Owners and 80% of the Residential Owners, and in certain cases, such termination must be approved by mortgagees of Units representing at least sixty-seven percent (67%) of the votes of Units that are subject to mortgages. Otherwise, termination of the Condominium will be governed by the provisions of the Act.

Article 19 sets out several general provisions dealing with the construction and application of the Declaration.

B. BYLAWS.

The operation and administration of the Condominium Association are governed by the Bylaws. A photocopy of the Bylaws as of the date of delivery of the Public Offering Statement is attached to this Statement as **Schedule B**.

Article 2 of the Bylaws provides that all Unit Owners in the Condominium are members of the Association. Article 2 also sets forth the time, purpose and procedure for annual and special meetings of the Association. The Association is required to conduct meetings at least annually, and at the annual meeting the Treasurer of the Association is required to present an annual financial report for the preceding fiscal year and the projected budget for the current fiscal year. Article 2 also provides for a special meeting of Unit Owners to take place no later than the earlier of 60 days after the conveyance of 75% of the Units to Unit Purchasers other than Declarant, or seven years after conveyance of the first Unit to a Unit Purchaser other than Declarant. At such meeting, all members of the Executive Board appointed by the Declarant shall resign and the Commercial Unit Owners shall elect one successor member of the Executive Board and the Residential Unit Owners shall elect two successor members of the Executive Board.

Article 3 provides for an Executive Board of three individuals. Article 3 also describes the time, purpose and procedures for meetings of the Executive Board, and sets forth procedures to be followed in the event that Executive Board Members resign or positions on the Executive Board become vacant. Article 3 also sets forth requirements governing the validity of contracts with interested Executive Board Members, and permits the Executive Board to enter into a management contract for the professional management of the Condominium.

Article 4 contains provisions governing the election of officers of the Association by the Executive Board and enumerates the duties of those officers. Officers are elected annually by the Executive Board.

Article 5 describes the procedure for establishing budgets and the ratification thereof by the Unit Owners. It also sets forth the obligation of Unit Owners to pay monthly assessments for Common Expenses. The Association, by a majority vote, may reject any capital expenditure or borrowing approved by the Board the Association, by a vote of more

than fifty percent of all votes in the Association, may reject any capital expenditure or borrowing approved by the Executive Board, within thirty days after approval by the Executive Board, other than any capital expenditure or borrowing approved by an Executive Board that is appointed by Declarant during the period of Declarant control. The Association is required to establish a working capital fund equal to a minimum of two (2) months estimated Common Expense liability for each Unit. Each Unit's share of the working capital fund is to be collected from the Unit purchaser upon the initial transfer of title from the Declarant to the purchaser.

Article 6 sets forth the procedure for restoration and repair to the Building or other parts of the Condominium if damaged or destroyed.

Article 7 describes how individual Units will be assessed for real estate tax purposes.

Article 8 sets forth the procedure for amending the Bylaws.

Article 9 contains provisions regarding the indemnification of Executive Board members, officers, employees or agents of the Association against expenses arising out of such persons being made a party to any threatened, pending or completed action under certain specified conditions.

Article 10 contains general provisions applicable to the Bylaws.

Article 11 provides for the form of the seal of the Association.

C. THE RULES AND REGULATIONS.

The Bylaws provide that the Executive Board may promulgate rules and regulations from time to time governing the details of the use and operation of the Condominium. A copy of the Rules & Regulations prepared as of the date of delivery of this Public Offering Statement is attached to this Statement as **Schedule C**.

D. THE MASTER DECLARATION.

The Master Declaration serves two primary purposes. First, it establishes the Mill Pond Association to maintain and repair the Mill Pond and the spillway within the Megunticook River adjacent to the Condominium. The members of the Mill Pond Association are the Condominium Owners (represented by the President of the Condominium Association or the other designee of the Executive Board), and the owners of three adjacent properties surrounding the Mill Pond. The Mill Pond Association has the power to make assessments against all of its members to cover the cost of maintaining the Mill Pond, spillway and related facilities. The Mill Pond Association is not a "master association" as that term is defined in Section 1602-120 of the Act.

The second primary purpose of the Master Declaration is to create access, parking and utility easements between the condominium and the owner of the adjacent property. These easements include, among others, access easements between the Condominium and Knowlton Street and Washington Street. A copy of the Master

Declaration is attached to this Statement as **Schedule G**.

III. CONTRACTS OR LEASES THAT WILL OR MAY BE SUBJECT TO CANCELLATION BY THE ASSOCIATION.

During the period of Declarant control of the Executive Board, the Declarant may cause the Association to enter into an agreement to employ a management agent who shall oversee the daily operation of the Condominium in accordance with the provisions of the Act and the Condominium Documents. This Condominium management agreement shall be cancelable by either party without cause and without a termination fee upon not less than sixty days' nor more than ninety days' written notice. This agreement shall be cancelable by the Executive Board with cause upon not less than thirty days' written notice. Any Declarant-negotiated management agreement shall not exceed a term of one year, but may be renewed upon the consent of the Association.

IV. BUDGET AND FINANCIAL MATTERS

The Condominium Association has been established by the Declarant. A budget for the current full year of operation of the Condominium Association has been prepared by the Declarant and is included in this Public Offering Statement as **Schedule D**. The Declarant reserves the right at any time, and from time to time, to adjust the frequency of assessments for common expenses, provided that such assessments shall be no less often than annually and no more often than monthly. The budget has been prepared based upon what the Declarant believes to be the best current estimates of future costs based on information currently available, such as the current and past operation and maintenance cost of the Condominium property or similar properties. Because the Condominium is relatively new there is limited history of operating expenses and therefore it is impossible to project with assurance such future costs. These projections are based upon year 2010 costs and they require adjustments for future inflation. If the cost of living should increase as a result of inflation, it is expected that the Common Expenses would increase, but not necessarily in proportion to increases in the Cost of Living Index. In preparing the budget, the Declarant has assumed that all of the Units will be occupied during the entire one-year period which the Budget covers and that there will be a nominal inflation rate.

The budget establishes a reserve for major repairs and replacements that are anticipated in the future, such as roofing, exterior painting and exterior siding. Because monthly condominium fees have not been assessed prior to the date of this Public Offering Statement, there is no current balance in a reserve account. Because there has been deferred maintenance over the past couple of years (prior to acquisition by Kelm Acquisition LLC), Kelm Acquisition LLC has contracted to perform certain work, at its expense, described as follows in its construction agreements (“Deferred Maintenance Work”):

“Spot sanding as needed, priming as needed, rotten wood replacement as needed, one coat of paint, and rain gutter re-attachment excluding south end of building located along the river. Removal of all soffits and trim components that had previously been installed beneath the existing condominium decks and painting existing joists. Demolition of the concrete entryway to allow for proper flashing located at the front of the building directly beneath Units 204 and 304. This entry landing will be built back up to the Owners

specifications and shall not exceed \$6,000 for the labor and materials to rebuild said landing. The landscaping services outlined on the attached landscaping scope of work (Exhibit A), and common area deck and railing repairs and painting for the entire property”.

“Plumbing service work to clean out drains
Parking Lot Waterproofing including
Remove sealant where necessary and prime, new backer rod and recaulk @ top deck
Install Carlisle 860 Bituthene in all planters with ¼” protection course
Concrete repairs at deck and expansion joints

Center island curbing change and additional traffic coating (11/11/10)
Patch and repair concrete as needed. Apply a heavy duty traffic coating system on the center island curbing of parking lot and curbing of the planter. Remove old traffic coating from the center island curbing. Also apply traffic coating in select areas of parking lots.”

The expense for such Deferred Maintenance Work is not included in the Budget attached as **Schedule D** since this work will be performed at the expense of Kelm Acquisition LLC. With the exception of such Deferred Maintenance Work, all services that the Declarant currently provides or expenses that it currently pays and expects may become a Common Expense of the Association at any subsequent time are reflected in the budget. Based upon the projected current year budget attached as **Schedule D**, Declarant estimates that the initial average monthly Common Expense assessments for each Unit will be as follows:

Residential Unit \$339
Commercial Unit \$1,099

The average expenses described above were determined by dividing the total annual budget costs for residential units (\$122,038) and commercial units (\$39,551) by the number of residential units (30) and the number of commercial units (3), and dividing the products of those calculations by 12 months. The amount of assessment for each Unit will vary depending on percentage interest of each Unit, which is based on the square footage of each Unit. A list showing the common expense of all Units is shown on Exhibit B of the Fifth Amendment of the Declaration, which is attached to this Public Offering Statement as part of **Schedule A**.

A chart describing certain line items of the budget is included as part of **Schedule D**. Such Chart is not intended to be an exhaustive list of budget line items, but is illustrative of some of the major line items. It is anticipated that the budget and its corresponding line items, and the amounts allocated therein, will change from time to time. The budget does not include utility charges for individual Units, which will be billed directly to each Unit Owner, but the budget does include the cost of trash collection for all units.

V. INITIAL OR SPECIAL FEES DUE FROM THE PURCHASER AT CLOSING.

At the closing for each Unit purchased, the Purchaser will be required to pay settlement costs, as described in the contract for sale of the Unit. At closing, the Purchaser will be required pursuant to the Contract for sale of such Unit, to pay the working capital fund of the Association an amount equal to two months estimated Common Expense liability for the Unit purchased. This amount will not be considered as advance payment of the normal Common Expense liability of that Unit.

VI. LIENS, DEFECTS AND ENCUMBRANCES AND ENVIRONMENTAL MATTERS AFFECTING THE TITLE TO THE CONDOMINIUM.

The Condominium will be subject to the terms of the Declaration, as recorded, the conditions shown on the Plats and Plans, as recorded, the Bylaws and any rules and regulations issued, as each of these may be amended from time to time. In addition, the Condominium will be subject to the following:

(a) Statutory easements granted by the Act, including (i) the easement provided by Section 1602-114 of the Act, which provides that any Unit or Common Element is subject to a valid easement to the extent that any other Unit or Common Element encroaches upon it; (ii) the provisions of Section 1602-115 of the Act which provides that the Declarant may maintain sales offices, management offices and models in the Condominium (such right being set forth in Section 15.1. of the Declaration); and (iii) the easement provided for in Section 1602-116 of the Condominium Act, which allows the Declarant an easement through the Common Elements, and, if necessary, through portions of the Limited Common Elements, as reasonably may be necessary to facilitate the completion of the Condominium or to exercise any Development Right to Special Declarant Right reserved by the Declarant in Article 15 of the Declaration and elsewhere in the Condominium Documents.

(b) Unrecorded easements, discrepancies, conflicts in boundary lines, shortages of area and encroachments, which an accurate and complete survey of the Condominium as built, would disclose.

(c) Easements and restrictions described in Section 6.1. of the Declaration including the following:

(1) The Units and Common Elements are subject to easements in favor of the Declarant and appropriate utility and service companies, cable television companies and governmental agencies for necessary or desirable utilities and service lines and equipment. Further, the Executive Board shall have the right and power to convey permits, licenses and easements over the Common Elements for the installation, maintenance, repair and replacement of utility equipment and for the Building and maintenance of roads and for other purposes necessary for the proper operation of the Condominium;

(2) Those portions of the Common Elements not located within the Building are subject to an easement in favor of the Declarant to maintain and correct drainage of surface water;

- (3) The General Common Elements (not including the Limited Common Elements) are subject to an easement in favor of the Unit Owners, their invitees, employees, tenants and servants, the Association and the agents and employees of the Association for access through each portion of the Common Elements, subject to the requirements and charges imposed by the Executive Board;
- (4) The Common Elements are subject to an easement in favor of the Association, its agents, employees and independent contractors for the purpose of inspection, upkeep, maintenance, repair and replacement of the Common Elements;
- (5) The Common Elements are subject to an easement in favor of the benefited Units (a) for installation, repair, maintenance, use, removal and/or replacement of pipes, ducts, heating and air conditioning systems, electrical, telephone and other communication wiring and cables and all other utility lines and conduits which are part of or exclusively serve a single Unit and which pass across or through a portion of the Common Elements; and (b) or installation, repair, maintenance, use, removal and replacement of utilities located in the Common Elements, or of overhead lighting fixtures, electrical receptacles and light fixtures located in a portion of the ceiling, wall or floor which is part of the Common Elements and adjacent to the Unit
- (6) To the extent necessary, the Units and Common Elements are subject to an easement in favor of each Unit for structural support by adjacent Units, of the Common Elements and the Limited Common Elements;
- (7) The Units and the Limited Common Elements are subject to an easement in favor of the Association, its agents, employees, and independent contractors for inspection of the Units and Limited Common Elements, for inspections, maintenance, repair and replacement of the Common Elements or the Limited Common Elements situated in or accessible from such Units or Limited Common Elements and for the correction of emergency conditions in one or more Units or Limited Common Elements, or both;
- (8) If the construction, reconstruction, repair, shifting, settlement or other movement of any portion of the Condominium results either in the Common Elements encroaching on any Unit, or in any Unit encroaching on the Common Elements or on any other Unit, a valid easement shall exist during the period of the encroachment for the encroachment and for the maintenance thereof.
- (9) Easements and restrictions set forth in the Master Declaration (as that term is defined in the Declaration), a copy of which is attached hereto as **Schedule G**.
- (10) Covenants and restrictions described in a Declaration of Environmental Covenant and related VRAP Letter from the Maine Department of Environmental Protection, a copy of which is attached hereto as **Schedule I**.

(11) Those matters described on Exhibit A to the Declaration.

(d) It is anticipated that Declarant will obtain or maintain financing for the Project and that such financing will be secured by a mortgage and security interest on the Property (the "Declarant's Mortgage"). The lien and encumbrance of Declarant's Mortgage, at Declarant's option, either will be terminated entirely as to the Condominium or released on a Unit-by-Unit basis as each Unit is conveyed. The lien and encumbrance of Declarant's Mortgage will be subordinated to the Condominium Declaration at the time of the conveyance of the first Unit.

(e) Units owned by the Declarant and the interest in the Common Elements belonging to those Units may be subject to mechanics liens, which may be filed in the Knox County Registry of Deeds. These liens, at the Declarant's option, either will be terminated entirely as to the Condominium, released on a Unit-by-Unit basis as each Unit is conveyed, or the Declarant will provide a surety bond or substitute collateral for or insurance against such liens.

(f) The Knox Woolen Mill, former Building No. 6 located at 34 Washington Street, Camden, Maine (the "Site"), which is also the location of Knox Mill East Condominium, and adjacent buildings formerly produced felts to supply the paper industry from the late 1800's until 1988. The Knox Woolen Mill complex was acquired in 1993 by Bracebridge Corporation, a subsidiary of MBNA, which renovated the interior and exterior of the building for use as an office complex. After approximately 10 years, MBNA was acquired by merger by Bank of America and the offices were closed. Maine Investment Properties, LLC subsequently acquired the property in 2005 and converted the building to retail and office space on the first floor and residential condominiums on the second and third floor. The entire first floor was renovated and the second and third floors have been partially renovated. In 2009 the building went into receivership and was purchased on October 1, 2010 by Kelm Acquisition LLC ("Kelm").

An ASTM Phase I Environmental Site Assessment ("ASTM Phase I") was conducted by Criterium – Mooney Engineers on behalf of Maine Investment Properties, LLC in 2006. As set forth in the ASTM Phase I report dated September 13, 2006 no "Recognized Environmental Conditions ("REC")" as defined by ASTM were identified at the Site.

In 2009 and 2010 an ASTM Phase I and site investigation was conducted by Lightship Engineering LLC and St. Germain Collins, Inc. prior to the purchase of the Site by Kelm in October 2010. RECs identified in the 2010 ASTM Phase I were assessed with the collection of soil, groundwater, wood flooring and indoor air samples at the Site. The purpose of the sampling was to characterize and assess if soil, groundwater, indoor air and wood flooring on the second and third floors had been impacted by former historical operations, historical petroleum release at off-site locations near the property boundary, and from former and existing underground storage tanks systems at the Site.

Select metals and petroleum related compounds were detected in soil and groundwater. The results of the investigation were submitted to the Maine Department of Environmental Protection (“MEDEP”), Voluntary Response Action Program (“VRAP”) by St. Germain Collins, Inc., on behalf of Gray & Associates, LLC, Receiver of Knox Mill Properties, LLC in early 2010. As set forth in MEDEP’s, No Further Action Assurance Letter dated June 10, 2010, “soil and groundwater sampling at the property as part of this assessment do not indicate any significant contamination at the property that would require further investigation or remediation.” MEDEP required that “no wells for groundwater extraction shall be installed on the property without prior Department approval.” A copy of the VRAP No Further Action Assurance Letter dated June 10, 2010 was recorded on June 18, 2010 in the Knox County Registry of Deeds in Book 4254, Page 95. As required by MEDEP in such Letter, a Declaration of Environmental Covenant dated June 30, 2010 was recorded on July 28, 2010 at said Registry of Deeds in Book 4267, Page 30.

Wood floor samples were collected in 2009 and 2010 from the second and third floor of Building No. 6 that had visual evidence of petroleum impacts that were submitted to an analytical laboratory for total petroleum hydrocarbons fingerprint (“TPH”) and polychlorinated biphenyls (“PCB”) analysis as summarized in a report by Crede Associates LLC. Based upon the total petroleum hydrocarbon fingerprint analysis the petroleum was consistent with lubrication oil. The oil saturated wood appeared to be associated with the former location of machinery that operated at the mill on the second and third floors of Building No. 6. Based upon visual observations and laboratory analytical results, black and/or dark oil impacted floors appeared to have PCB present greater than 1 ppm. Wood flooring with light brown oil impacts appeared to have no PCBs detected or less than 1 ppm PCBs. There was no visual, olfactory or laboratory analytical evidence that the oil impacted wood with and/or without PCBs had migrated to soil, groundwater or surface water at the site. PCB impacts appear limited to the wood only.

The concentration of PCBs detected in select wood samples ranged from none detected (less than 0.0965 parts per million (“ppm”)) to 15 ppm, which exceeds United States Environmental Protection Agency (“USEPA”), Toxic Substance Control Act (“TSCA”), 40 CFR 761 Risk Threshold of 1 part per million ppm for use of the Site for residential purposes. Kelm is presently collecting additional wood samples to assess the extent of PCB impacted wood on the second and third floors of the building that will be submitted to an analytical laboratory for PCB analysis. Wood with PCBs greater than or equal to 1 ppm PCBs will be removed by Kelm with the collection of post remediation wood samples (if still present); wipe samples and indoor air samples to confirm clean closure.

Copies of the VRAP No Further Action Assurance Letter dated June 10, 2010 and the Declaration of Environmental Covenant dated June 30, 2010 are attached as **Schedule I**. An ASTM Phase I Report dated December 6, 2010 prepared by Lightship Engineering LLC with

details of its environmental assessment may be obtained from Kelm at its offices at 34 Washington Street, Camden, Maine.

VII. FINANCING OFFERED OR ARRANGED BY THE DECLARANT

As of the date of this Statement, the Declarant does not intend to offer financing to prospective purchasers.

VIII. WARRANTIES

Certain warranties are given to all Residential Unit Owners as described below, subject to certain exclusions and modifications made by the Declarant. On or before settlement of the purchase of a Residential Unit, implied warranties of quality will be limited as set forth in the Limited Warranty Certificate issued by the Declarant. A copy of the Limited Warranty Certificate to be signed by purchasers and Declarant is included in this Public Offering Statement as **Schedule E**. By the execution of the Purchase and Sale Agreement the Residential Unit Purchaser has agreed to execute by separate instrument on or before settlement of the purchase of a Residential Unit, an agreement to reduce, as permitted by Section 1604-115(a) of the Act, the statutory six-year limitation period to two years. A copy of the instrument to reduce the statute of limitations is attached to the Limited Warranty Certificate as Exhibit B. With respect to the Condominium Units being sold and the Common Elements appurtenant thereto, the Act provides certain warranties, as set forth on **Schedule F** attached hereto. The Association will enter into and deliver to Declarant a Limited Warranty Certificate with respect to the Common Elements and will also agree to reduce the statutory six-year limitation to two years.

With respect to the Commercial Units, they will be sold as is without any warranty, express or implied, except to the extent set forth in the purchase and sale agreement for such Commercial Unit.

IX. LEGAL ACTIONS MATERIAL TO THE CONDOMINIUM OR THE CONDOMINIUM ASSOCIATION

As of the date of delivery of this Statement, there are no judgments against the Condominium Association, nor is the Condominium Association a party to any pending litigation.

X. ESCROW OF DEPOSITS

Any deposit made in connection with the purchase of a Unit will be held in an escrow account until closing in accordance with the provisions of Section 1604-109 of the Act. The escrow account will be held by Jaret & Cohn, Inc., 75 Elm Street, Camden, Maine. In the event the Unit Purchaser cancels the Contract for Sale of a Unit pursuant to the Notice set forth in the introduction of this Statement, the Purchaser will be entitled to a return of the deposit paid. The Purchaser is not entitled to earn any interest on the deposit.

XI. RESTRAINTS ON ALIENATION AND LEASING: ALIENATION OF COMMON ELEMENTS

Section 1604-102 of the Act prohibits the Declarant from offering any interest in a Condominium Unit until the Declarant has prepared and delivered to a purchaser a current Public Offering Statement. The Act further provides that no part of the Common Elements may be sold unless in conjunction with the sale of a Unit; provided, however, the Act does permit the Common Elements or portions thereof to be sold by the Association upon the required vote of the members.

Leases of Units are permitted. All leases must be in writing and must be for a minimum term of six (6) months; provided, however not more than nine (9) times in a calendar year, a Lease term shall be permitted that is less than six (6) months, but in no event shall the term be less than two (2) weeks.

XII. INSURANCE

Article 9 of the Declaration sets forth the provisions concerning the types and amounts of insurance coverage to be provided by the Condominium Association. The Condominium property will be insured by a policy of fire and property damage insurance in an amount equal to one hundred percent (100%) of the current replacement cost of all Common Elements and Units. The premium for this insurance will be paid by the Condominium Association. Each Unit Owner will pay his share of the premium as part of his assessment for Common Expenses. This policy will insure all improvements, fixtures and appliances contained within the Units or the value thereof that are in existence on the date of the closing of the conveyance of the Unit by the Declarant, and fixtures, building service machinery and equipment and common equipment and supplies owned by the Association. This policy will not insure any improvements or appliances added by a Unit Owner to its Unit after the date of the first conveyance of the Unit by the Declarant (except for any such improvements which the Executive Board expressly agrees, in its sole discretion, shall be covered by such insurance). No personal property of any Unit Owner will be insured by the policies maintained by the Association. It is the individual responsibility of the Unit Owners to obtain property insurance to insure their personal property and liability insurance to cover claims arising out of the use or ownership of their individual Unit. The Condominium Association will also carry a liability insurance policy on behalf of the Condominium Association and all Unit Owners to insure them against liability arising out of the ownership or use of the Common Elements. This policy will not insure Unit Owners against liability arising from an accident or injury occurring within their Unit or from their own negligence. Insurance proceeds under the fire and property damage insurance policy maintained by the Association will be paid to the Condominium Association or an insurance trustee, if there is an insurance trust agreement in effect.

XIII. CURRENT AND EXPECTED FEES; FINANCIAL ARRANGEMENTS FOR IMPROVEMENTS; BUILDING CONDITION

There is no current or expected fees or charges to be paid by Unit Owners for the use of Common Elements and other facilities related to the Condominium.

XIV. ZONING AND LAND USE REQUIREMENTS AFFECTING THE CONDOMINIUM.

The land area of the Condominium is in the Transitional River Business District Zoning District in the Town of Camden and is subject to the Zoning Ordinance of the Town of Camden (the "Zoning Ordinance"). The Town of Camden gave subdivision approval and site plan approval to the Project, as evidenced by a plan entitled "Final Subdivision & Site Plan, Knox Mill Properties, LLC, Knox Mill Building Six, A Condominium, 34 Washington Street, Camden, Maine" prepared by Gartley & Dorsky Engineering & Surveying, dated May 10, 2006 and recorded in the Knox County Registry of Deeds in Cabinet 18, Sheet 18. This approval has been amended as evidenced by a plan entitled "Final Amended Subdivision Plan, Re-Subdivision Plan & Amended Site Plan, Knox Mill Properties, LLC, Knox Mill East, A Condominium, Washington Street, Camden, Maine" prepared by Gartley & Dorsky Engineering & Surveying dated February 27, 2007 and recorded in the Knox County Registry of Deeds in Cabinet 18, Sheet 155. The Condominium includes an underground storage tank that is registered with the State of Maine. The registration number is 10813. The use and occupancy of the Condominium are subject to all of the terms and conditions set forth in the above described permits and approvals.

XV. DEVELOPMENT RIGHTS AND SPECIAL DECLARANT RIGHTS RESERVED BY THE DECLARANT

As set forth in Article 15 of the Declaration, the Declarant reserves to itself and for the benefit of its successors and assigns certain Development Rights, including, without limitation, the right to create Units, common elements and limited common elements within the Condominium, to reduce or enlarge the size of any unsold Unit, to modify the layout of the Condominium and the location of buildings and improvements, to cause the roads to be accepted as public roads, to subdivide units or convert units into common elements, and to add real estate to the Condominium or to withdraw real estate from the Condominium. The real estate subject to the Development Rights is the Real Estate as more particularly described on Exhibit A attached to the Declaration.

The Development Rights reserved may be exercised with respect to different parcels of real estate at different times, as Declarant, in its sole discretion may determine. No assurances are made with respect to the order in which the parcels of real estate subject to the Development Rights will be subjected to the exercise of such Development Rights. If any such Development Right is exercised in any portion of the real estate subject to such Development Right, such Development Right need not be exercised in all such portions. If Units are added to or withdrawn from the Condominium by the Declarant in the exercise of its Development Rights as reserved in the Declaration, the votes in the Association shall be reallocated among all of the Units such that each Unit shall have one vote, and the percent of interest in common elements shall be allocated equally among all of the Units. No assurances are made in regard to the architectural style, quality of construction, size or location of any buildings or other improvements that may be erected pursuant to any Development Right. No assurances are made as to the description of any other improvements that may be made and limited common elements that may be created,

including the types and sizes of any limited common elements or the proportion of limited common elements to units, within any part of the Condominium pursuant to any Development Right.

The maximum number of Units that may be created by the Declarant in the exercise of its Development Rights is thirty-five (35) Units, thirty (30) Residential Units and five (5) Commercial Units. All of the Residential Units created will be restricted to residential use in accordance with Article 15 of the Declaration. The Declarant makes no assurances as to the application of any other restrictions in the Declaration affecting use, occupancy and alienation of units to any units created pursuant to any development rights reserved by the Declarant.

As further set forth in Article 15 of the Declaration, the Declarant also reserves to itself, and for the benefit of its successors and assigns, the right to complete the improvements shown on the plats and plans, and the right, in accordance with Section 1602-115 of the Maine Condominium Act, to use any Unit owned or leased by the Declarant and the limited common elements appurtenant thereto for storage, models, management, sales, customer service or similar purposes for this and other projects; and the Declarant reserves the right to relocate the same from time to time within the Property; and upon such relocation, the furnishings thereof may be removed. The Declarant further reserves the right to maintain on the Property such advertising signs as comply with applicable governmental regulations, which signs may be placed in any location and may be relocated or removed, as the Declarant may from time to time determine. The Declarant retains the right to use the Common Elements for sales purposes and to erect temporary offices on the Common Elements for models, sales, management, customer service and similar purposes. Anything to the contrary in Article 15 of the Declaration notwithstanding, the provisions of Sections 7.1(c), 7.1(d) and 7.1(e) of the Declaration shall not be applicable to the Declarant in connection with the exercise of its rights under Article 15. The real estate subject to Special Declarant Rights, other than Development Rights, is the Property.

Development Rights and Special Declarant Rights must be exercised within fifteen (15) years from the date of recordation of the Declaration provided that the period of Declarant control of the Association as permitted by Section 1603-103(d) of the Maine Condominium Act, and as reserved in Article 12 of the Declaration, shall terminate in accordance with the provisions thereof. Development Rights and Special Declarant Rights shall be deemed to be exercised at such time as this Declaration is amended to reflect the additional Units or such other Development Right or Special Declarant Right, regardless of the time that such Unit is constructed or such other work contemplated by the Development Right or Special Declarant Right is completed.

The exercise of the Development Rights and the Special Declarant Rights shall be in accordance with and governed by the provisions of the Act, including without limitation Section 1602-101 of the Act.

The assurances made in this Section do not apply in the event that any Development Right or any Special Declarant Right is not exercised by the Declarant.

XVI. THE UNIT OWNERS ASSOCIATION

The Act provides for the self-governance of the Condominium by a Unit Owners

Association. All of the Unit Owners collectively constitute the Association. Membership in the Association is an incident of ownership of a Unit. Therefore, every Unit Owner is automatically a member of the Association and remains a member until his ownership of a Unit ceases.

The Unit Owners Association is organized as a non-profit corporation under Maine law. The Bylaws provide that the powers and responsibilities of the Unit Owners Association are delegated to the Association's Executive Board, some of which in turn may be delegated to a managing agent. The Executive Board has certain powers and responsibilities in administering the Condominium to, among other things: (a) prepare the annual budget; (b) make and collect assessments against the Unit Owners for common expenses; (c) provide for the upkeep, maintenance and care of Common Elements; (d) designate, hire and dismiss the personnel necessary for the maintenance of the Condominium; (e) make rules and regulations concerning the use of the Condominium; (f) establish a bank account on behalf of the Association; (g) make alterations to the Condominium; (h) enforce by legal means the provisions of the Condominium documents; (i) obtain necessary insurance; (j) pay the cost of services rendered to the Condominium; and (k) keep the books of account of the Condominium.

Exhibit B (Fifth Amendment) attached to the Declaration includes a list all Units by their identifying number and the number of votes in the Unit Owners Association allocated to each, determined on the basis of size by multiplying by 1000 each Unit's Percentage Interest as set forth on Exhibit B (Fifth Amendment) attached to the Declaration. A Unit Owner is entitled to cast the vote allocated to his Unit as described in Section 5.4 of the Declaration. The Declaration, in Article 12, describes the makeup of the Executive Board of the Association. The Executive Board will consist of not less than three, and not more than seven members elected by Unit Owners at the annual meeting of the Association. Initially, the Declarant has appointed the three members of the Executive Board. This Article also provides for the transition from the Declarant-appointed Executive Board to an Executive Board controlled by the Unit Owners.

The final transition from Declarant-appointed members of the Executive Board to Unit Owners other than the Declarant shall occur as follows:

No later than the earlier of (i) sixty (60) days after the conveyance of seventy-five percent (75%) of the Units to Unit purchasers other than the Declarant or (ii) seven (7) years after conveyance of the first Unit to a Unit Purchaser other than the Declarant, or at such earlier date as the Declarant in its sole discretion shall specify, the Transition Meeting of the Association and the Transition Election shall be held at which all members of the Executive Board appointed by the Declarant shall resign and the Unit Owners (including the Declarant to the extent of Units owned by the Declarant) shall elect three (3) successor members of the Executive Board to act in the place and stead of those resigning. The Commercial Owners, as a class, shall be entitled to elect one Commercial Owner to the Executive Board (the "Commercial Members") at the Transition Election. The Residential Owners, as a class, shall be entitled to elect five Residential Owners to the Executive Board (the "Residential Members") at the Transition Election. The Commercial Member shall initially serve for a term expiring on the date of the third Annual Meeting of the Association following the

Transition Election. All subsequent terms of the Commercial Member shall be for three (3) years. With respect to the Residential Members, the Residential Owner receiving the highest number of votes shall serve until the third Annual Meeting of the Association following the date of such election; and the Residential Owner receiving the second highest number of votes shall serve until the second Annual Meeting of the Association following the date of such election. Thereafter, all subsequent terms of the Residential Members shall be for three (3) years.

Pursuant to Section 1063-103 (f) of the Act, in determining the percent of Units conveyed by the Declarant for purposes of determining the time of the Transition Election, the percentage of the Units conveyed shall be determined by comparing the number of Units actually conveyed by the Declarant to the total number of Units that the Declarant has reserved the right to create pursuant to the terms of this Declaration.

NO PERSON HAS BEEN AUTHORIZED BY THE DECLARANT TO MAKE ANY STATEMENT, REPRESENTATION OR WARRANTY NOT SPECIFICALLY CONTAINED HEREIN, AND NOTHING IN THIS PUBLIC OFFERING STATEMENT MAY BE CHANGED OR MODIFIED ORALLY. ANY INFORMATION OR DATA REGARDING THE CONDOMINIUM WHICH IS NOT INCLUDED IN THIS PUBLIC OFFERING STATEMENT SHOULD NOT AND MUST NOT BE RELIED UPON.

XVII. BUILDING CONVERSIONS

All of the Units are contained within a "Conversion Building" as that term is defined within the Maine Condominium Act.

All structural components, waste disposal systems, waters systems and mechanical and electrical installations material to the use and enjoyment of the Units are presently in good working order with respect to declared Units. Declarant makes no representations as to the expected useful life of the structural components, waste disposal systems, waters systems and mechanical and electrical installations material to the use and enjoyment of the Units. Nothing in this Article XVII shall modify the provisions of Article VIII herein, or Schedules E and F attached hereto. Prospective purchasers are strongly encouraged to conduct an independent inspection of a Unit prior to purchase. This disclosure is not intended as a substitute for an independent inspection.

XVIII. ADJACENT LAND OF DECLARANT

Declarant owns no land and buildings adjacent to the Condominium. Nevertheless, Declarant gives no assurances as to whether Declarant may acquire adjacent land or buildings or whether adjacent land or buildings will be developed or redeveloped. If such adjacent land or buildings are developed or redeveloped, Declarant gives no assurances as to whether such development shall be of a similar style or use as the Condominium.