

**CRANBERRY ISLES REALTY TRUST 2009
DECLARATION OF COVENANTS
AND RESTRICTIONS**

This Declaration of Covenants and Restrictions made this _____ day of _____, _____, by _____, having a mailing address of _____ (hereinafter collectively referred to as "Owner").

WITNESSETH

WHEREAS, the Owner is the owner of certain real estate situated in Islesford, Town of Cranberry Isles, Hancock County, Maine, which property (hereinafter "Property") is described in the deed from Dorothy B. Bunker to Terrance A. Johnson, recorded in Book 1310, Page 267 of the Hancock County, Maine, Registry of Deeds and acquired the same with the assistance of a gift from Cranberry Isles Realty Trust (hereinafter "CIRT");

WHEREAS, CIRT desires to provide for the preservation of value and amenities of said Property and to this end desires to subject the Property described herein to the covenants and restrictions hereinafter set forth, each and all of which is and are for the benefit of said Property, and each owner thereof; and

WHEREAS, CIRT desires that the Property be held, sold, and conveyed subject to, and with the benefit of, the following covenants and restrictions, which are for the foregoing purposes, and which shall run with the title to the Property, and be binding in perpetuity on all parties having any right, title, or interest in the said Property, or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of Owner, its successors and assigns;

WHEREAS, Owner is agreeable to the following provisions as a condition of the said gift from CIRT and in consideration

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therefor, without which Owner would not have been able to afford the purchase of the Property;

NOW THEREFORE, the Owner, for themselves, their heirs and assigns, declares that the Property is and shall be held, transferred, sold, conveyed, and occupied subject to the following covenants and restrictions, to wit:

1. The Property shall not be further divided, or subdivided, EXCEPT by prior written approval of CIRT and the appropriate governmental authority.
2. The Property shall be used primarily for one single family residential purposes. Any commercial or industrial use shall be subject to the provisions of the Land Use Zoning Ordinance of the Town of Cranberry Isles. Owner shall maintain the residence as their year-round primary residence for a minimum of eleven (11) months per year.
3. No travel trailers or camper trailers or inoperable motor vehicles shall be allowed to remain on the premises for any period in excess of thirty (30) days in any given year.
4. All household trash, refuse, and garbage shall be stored in secured containers, and it shall be the responsibility of the owner of the Property to provide for the removal of such trash, refuse, or garbage no less frequently than weekly.
5. The Owner of the Property must maintain the home on their lot in good, safe and habitable condition, except for normal wear and tear, and in compliance with any rules and regulations of any governmental authority that has jurisdiction over matters concerning the condition and use of the home. The Owner of the Property may make improvements to the home in keeping with the rules and regulations of any governmental authority.
6. Definitions of Maintenance and Improvements:

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Maintenance includes tasks such as lamp replacement, painting, carpet and tile repair, carpentry and roof repair, door and lock adjustments, cosmetic work, plumbing and electrical repair, servicing of HVAC control systems, grounds maintenance, and pest control. In general, these tasks are related to maintain the integrity of the components of the house.

Improvements qualified for consideration in the resale formula attached hereto as EXHIBIT B include adaptation of an existing space for a new purpose, construction of additional areas, and structural improvements that lower long-term operational costs (e.g. replacing old windows with new highly energy efficient windows and installing insulation with a much higher R-value than existing insulation). Structural improvements that lower long-term operational costs are valued because they reduce long-term utility costs to homeowners. If improvements do not meet one of these three criteria, they cannot be included as improvements in the resale formula.

The thought behind what makes an improvement to a property different than a repair is that an improvement theoretically increases the value of a property whereas a repair keeps it in working condition. A repair could also be said to return a property to a prior condition as it was before the item needing repair broke. Generally we can think of "adding" or "replacing" (improvement) vs. "fixing" (repairs).

According to the IRS, maintenance is a repair that keeps your property in good operating condition that does not materially add to the value of your property or substantially prolong its life. According to the IRS, an improvement adds to the value of property, prolongs its useful life, or adapts it to new uses.

Procedure to Certify Improvements for Resale Calculation: Owner must submit a plan describing fully the proposed construction and its potential impact on surrounding lands for improvements Owner wishes to add to the resale formula.

All improvements and repairs for which reimbursement was, could be, or could have been obtained from insurance or other third party cannot be added to the resale formula.

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Owner may make any improvements they desire knowing that they may not receive full value for them in the resale formula if they are luxury or maintenance items. CIRT's mission is to provide housing affordable to people who otherwise cannot afford it in the Town of Cranberry Isles. Adding luxury items to a home does not help keep the price down.

The Owner is responsible for approaching CIRT for clarification if they have questions on improvements, or whether something is maintenance or an improvement.

All repairs and improvements are subject to the following conditions:

- A. All costs shall be borne and paid for by the Owner;
- B. All construction shall be performed in a good and worker-like manner and shall comply with all applicable laws, ordinances and regulations, including the requirements of local and state public health authorities;
- C. All construction must be consistent with the permitted uses;
- D. Homeowner shall furnish to CIRT a copy of any plans for construction of any Improvements and copies of all building permits for such construction prior to commencing construction for review by CIRT. If Owner expects the proposed Improvements to be added to Owner's resale formula, CIRT staff and officers will review the plans.
- E. CIRT board President, Secretary, and Treasurer (or a combination of three officers) will vote to determine whether approval is made for the entire amount, part, or none of the improvements. An example of a vote for allowing only part of the amount of "improvements" into the resale formula include "improvements" that may also be considered "maintenance" such as replacing broken windows with energy efficient replacements. Examples of improvements that would not be added into the resale formula include luxury

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improvements (e.g. granite slab countertops) that will increase the price and not add to the utility of the home. If any item is of a luxury quality, CIRT may allow only for the usual costs of the non-luxury version of the item.

F. Design and construction shall be done in a manner that will keep the building marketable.

Owner shall document the costs and expenses of work in constructing, remodeling, repairing or adding to the Improvements by means of detailed receipts and invoices for materials and labor, including receipts for barter goods and services, or by other documentation reasonably acceptable to CIRT. If Owner performs work him or herself, Owner shall keep detailed records of the hours spent. The costs of labor performed by the Owner may not exceed the rate charged by individuals of comparable skills and experience as determined by CIRT in its sole discretion. CIRT may inspect the Improvements to verify the quality and state of completion of work. CIRT reserves the right to use an independent appraisal of work where costs are in excess of the trade or other reasonable standards for similar work in the local area. The Owner shall present such documentation to CIRT by the close of the year in which the improvement becomes functional. CIRT shall determine by April 1 of the following year the amount to be allowed as a qualified improvement, and shall communicate its decision to the Owner in writing. Only amounts so allowed shall be used in the formula set out in EXHIBIT B.

In the event that CIRT believes the market value of the house and improvements, at the time of the proposed sale, is lower than the resale price, CIRT may order an appraisal to go into the resale formula (e.g. if the house greatly depreciated due to neglect).

7. Except for the first mortgage to acquire the Property, the Owner may not lease or refinance the home without the permission of CIRT, its successors and assigns. Proceeds from

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any prohibited lease or encumbrance must be paid to and shall become the property of CIRT.

8. As a condition of, and simultaneously with, the acquisition of the Property, each buyer of the Property shall duly execute and acknowledge and deliver to CIRT a right of first refusal and second mortgage deed substantially in form and substance as set forth in the transaction in which Owner initially obtained the Property.

9. The Property is subject to the aforementioned Covenants and Restrictions, which are to be considered permanent, and which shall run with the Property for the benefit of CIRT, its successors and assigns. In the event that there is any violation of the foregoing Covenants and Restrictions, CIRT, its successors and assigns, shall have standing to enforce said Covenants and Restrictions, including the right to seek injunctive relief in any court of competent jurisdiction.

Invalidation of any one of these covenants or restrictions by a court shall in no way affect any other provision hereof, and all other such provisions shall remain in full force and effect.

This Declaration of Covenants and Restrictions shall be governed and construed according to the laws of the State of Maine.

IN WITNESS WHEREOF, _____
have executed this Declaration this ____ day of _____, ____.

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STATE OF MAINE
HANCOCK, ss.

October , 2009

Personally appeared the above-named _____
and acknowledged the foregoing to be their free act and deed.

Notary Public/Attorney at Law

Printed Name

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